



Global Games & Gaming Magazine | Special Issue



SOUTH EAST ASIA REVIEW

G3 explores the fascinating gaming markets of the Far East

Features

Market Reports Special SOUTH EAST ASIA REVIEW

G3 examines some of the most exciting gaming markets in the world and explores the opportunities for operators and manufacturers
Page 12



Cambodia market report - Changing the face of gaming - Page 12



Malaysia market report - Gaming at the highest level - Page 50

MARKET REPORT - INDIA

Land-based gaming takes a different path in India with the casino industry all at sea
Page 20



MARKET REPORT - MACAU

International operators are seeking to take full advantage of the rising Macau market
Page 36



Singapore market report - The little big gaming planet - Page 70

MARKET REPORT - JAPAN

One of the biggest gaming nations in the world continues to drag its feet over the casino issue
Page 28



MARKET REPORT - PHILIPPINES

A liberal monopoly, the Philippines is split between state, private and tourist operations
Page 58



Taiwan market report - Gateway to eastern promise - Page 86

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Hot topics



Last year G3 produced its first continent report on South America and this year, just as temperatures hit the 40° mark in southern Spain, I was handed the exhausting task of the Asian market. With the hottest July on record here for 65 years, I can honestly say I have sweated buckets putting this one together, whilst the pool turned green, the beer went warm and the kids turned pink. I hope it's been worth it. Asia is one of the most interesting markets I've researched thus far. In some areas it's almost untouched territory, has a huge growth potential and is definitely the region to watch over the next few years. Asia is the world's largest and most populous continent and covers 8.6 per cent of the Earth's total surface area with around four billion people – some 60 per cent of the current human population. With 47 countries in Asia we have singled out 10 main South and Southeast Asian countries which are ripe for development within the gaming sector. At the moment, Asia only has a fraction of the number of casinos found in North America, but a much larger population base. Asian casinos have annual revenues of almost US\$20bn, while US casinos take about US\$34bn. However, a survey predicts that gambling revenues in Asia

could easily overtake US earnings within the next three years. As the biggest gaming region, Macau has already overtaken the Las Vegas strip in revenue, topping US\$13.6bn last year, which is more than double that of Las Vegas with US\$6.6bn. Meanwhile, it is estimated that a whopping US\$33bn will have been invested into three Asian jurisdictions by 2010. Major Asia destinations such as Macau, Singapore, the Philippines and Taiwan have all been vying for the lucrative tourist market and are now using entertainment and gaming as their main attraction. China is a major target market and already generates the largest number of tourists of any country in the region with its outbound tourist numbers forecast to reach 115 million by 2020. A large number of these are also gamblers or potential gamblers.

It's a shame the current economic climate has seen some developments being halted or restricted and is causing many casinos to fall victim of the global slump. But surely those who are able to input now whilst the going is tough will be in a prime position to reap the rewards further down the line.

I'd also like to send a big thank you to Todd Haushalter at Shufflemaster, Mike Bolsover at Silver Heritage, Carl Burger at AMZ and Ken Watabe in Japan for their specific input and help, and as always, Octavian Gaming Technology, our special issue sponsors.

It is estimated that a whopping US\$33bn will have been invested into three Asian jurisdictions by 2010



What is G3? Global Games and Gaming = G3

G3 is an international high quality monthly magazine for the gaming and casino operator. It sources games and gaming products from around the world and delivers them direct to you each month. How to buy, where to buy and why you should buy are all covered. Each issue will feature the latest games, in-depth country reports and special focuses on stand-out products. If you're considering

buying a new game - don't move until you've read G3. G3 is all about games. The games players want operators to buy. It's about the creation, the application and the ultimate experience of playing games from all types of sources, media and location. Think of the mantra - location, location, location and now think games, games, games - because without them you have no location.

Octavian develops, installs and supports the systems that link playing terminals, jackpots, data and other assets at single or multiple venues into efficient, customer-focused gaming operations

OctaSystems

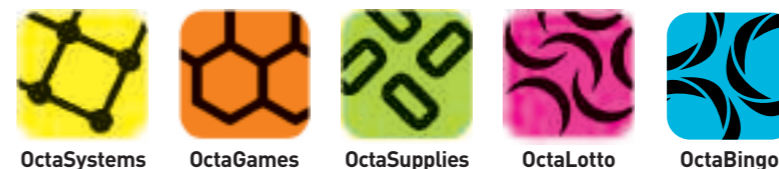
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.... Maximising proven performing concepts and new technologies to give greater performance, game presence and player appeal."



FA FA FA

ARISTOCRAT

A Punt on Asia - Future Positive

Aristocrat Technologies continues to expand its market leading share of the South East Asian gaming sector and sees positive future growth

The South East Asian market sits on the doorstep of Australian gaming manufacturer and systems supplier, Aristocrat Technologies. It's no surprise, therefore, that the company has been involved in the Asian gaming market for many years, from the early uptake of slots in Singapore clubs and the Philippines, to more recently the Macau gaming boom and the soon to be up and running Singapore integrated resorts.

Aristocrat's products dominate this gaming space with a 40 per cent market share of approximately 36,000 EGMs currently installed in the region, while the market as a whole has witnessed overall growth of almost 60 per cent in the last three years. Current estimates put the combined number of EGMs and MTGMs in the South East Asia region at around 41,000 units, proof of just how successful Aristocrat has been in this market.

David Punter, Marketing Director Asia Pacific at Aristocrat Technologies, explains the processes behind the company's achievements: "A couple of key things that have driven the success and uptake of slots, and specifically Aristocrat slots in the region can be attributed to a few factors," stated Mr. Punter.

"Sheer population plays a major factor. In Asia, 2008 estimates state that almost 3.8 billion people are amassed across a region (over half the total world population) with limited access to legalised gaming facilities. In addition, the region's propensity to drive technology has eased the adaptation of video gaming into South East Asia with major video manufacturers

seizing the opportunity to educate Asian players of slot and multi-terminal gaming devices," described Mr. Punter.

"More recently we have reduced complexity, taken multiple platforms/bases to differing markets and combined development for Malaysia, Philippines, Vietnam, Cambodia and Singapore casinos, so that the products developed for these bases are available in each of the countries in this region."



David Punter, Marketing Director Asia Pacific, Aristocrat Technologies.

"What's fundamentally been key is the evolution of our relationship with our Asian partners, in which we have worked with them to seek unique insights into player and operator needs, applying these to games design through our Design and Development team."

Aristocrat and the game and product names are trademarks or registered trademarks of Aristocrat Technologies Australia Pty Ltd.

CAPTURING THE MARKET

The philosophy behind Aristocrat's phenomenal marketshare in South East Asia is impressive, but it's the execution that has really paid dividends in the region. Aristocrat laid a great deal of ground work with the delivery of high performing gaming products from the Australian market and the adoption of these titles into the casinos of Asia.

"What's fundamentally been key is the evolution of our relationship with our Asian partners, in which we have worked with them to seek unique insights into player and operator needs, applying these to games design through our Design and Development team," commented Mr. Punter. "Dedicated sales people in each region and committed engagement from marketing to further understand the needs of the market, have also proved to drive the right products into the right markets."

POSITIVE FUTURE

Aristocrat is very clear about its goals and focus for the future of the company in the region. Ensuring a dedicated focus on creating games and products that players and operators find engaging and exciting isn't exactly rock science, but it certainly works. "Some of the simple ideas are often the best," stated Mr. Punter. "We took the popular game, 50 Lions, and using the same maths package overlaid strong Asian art and concepts (utilising dragon-theming) to re-badge the game 50 Dragons." The game has become one of Aristocrat's most successful games as a

standalone or link and it's this type of understanding of market and cultural requirements that has assisted in many successful games occupying casino and venue floors in the region.

In addition to region specific titles such as FA FA FA, a link that has further driven sales in the past 18 months, proven performers such as Aristocrat's Hyperlink Cash Express, a product familiar to operators around the world, has been enthusiastically received in the region.

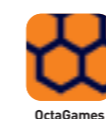
"What's exciting right now is that we will also start to bring new, more player focused, interactive and innovative themes to the market that will occupy the entertainment-centric player base, which will evolve as each market in the region matures. The first of these being Bank Buster and later in 2010, the Jaws themed link product will be introduced to the region," stated Mr. Punter.

WHERE TO NEXT?

The outlook remains positive for the region with new markets looking to open, existing markets expanding and the offer of new and innovative gaming concepts for the gaming enthusiast. At the same time, Singapore will expose gaming to a more diverse range of people in Asia, given Singapore's profile and access to the international traveller.

Aristocrat has renewed its focus on ensuring content is 'King' and is developing games and products that suit players in the Asia region as well as looking forward to driving technology and content in the form of trialling Server Based Gaming technology in the Asian region. "The market is still at its infancy stage and all the answers aren't known as to where gaming in Asia will go and whether many more 'Macau's will pop up and provide gaming, entertainment and convention style casinos to the billions of people in the Asia region," outlined Mr. Punter. "But what is certain is that exciting times lie ahead."

SE ASIA: VITAL STATISTICS	
Global population:	6,676,120,288
Asia population:	3,776,181,949
Asia current slots:	39,380
Internet Usage:	578,538,257



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Octavian creates and supplies the games and other integrated on-screen content that provide a more exciting and satisfying customer experience



Player-centric gaming product

The US view of the South East Asian slots gaming market has switched from one of push to that of pull. G3 speaks to WMS Gaming...

Q: The shift in focus for WMS, from a US-centric company to a global creator of games, now encompasses markets such as S.E. Asia. Many companies work with RGB, including WMS, but also keep their own presence in the region - could you describe the way that WMS services the S.E. Asian marketplace, both from the US and locally?



Sebastian Salat, President of WMS International.

"Our goal has always been to deliver the best possible gaming experience to slot players and, in turn, provide our customers with the best service in the industry. To that end, our relationship with RGB in SE Asia is extremely close as, in certain cases, they maintain, closer day-to-day contact with some of our customers."

Sebastian Salat, President of WMS International – We have long been focused on providing the best in customer support in every market we do business. To accomplish this goal, we have increased our customer touch points throughout the world to ensure that our own people are on the ground and in direct contact with our customers. In addition, we also work alongside the best local distributors, like RGB in Asia, who provide us with increased local support, a more in-depth knowledge of the local business culture, the local language and even access to certain markets that are difficult to address directly from a profitability standpoint due to their smaller size. Where we work with distributors like RGB, we work side by side to understand our customers' needs and to provide the same customer service experience that we can provide directly.

Q: How does the WMS portfolio fit the Asian gaming preference? What adaptations/learning curves have you gone through to understand the player needs and create games specifically for that requirement?

Robert Siemasko, VP Product Management – Our game development

efforts encompass applying core technologies across all of our game themes so that our games have the flexibility to work in many countries and support multiple languages. Slot players around the world are very similar, often enjoying similar gaming entertainment experiences; and we have engineered our games and systems to cater to these needs regardless of the region in which they are deployed. That said, we put a lot of effort into researching each specific market to identify the needs and preferences of the local slot player. As a result we believe we have a solid understanding of the preferences of the Asian slot player, and have identified a number of areas where we must modify our games and systems to address the specific game characteristics that are in demand among these players. We are very focused on leveraging our player driven innovation in our game design process in order to continue to deliver games and systems that enhance the Asian gaming experience.

Q: We've seen manufacturers create specific Asian design units within their development teams - is this the process at WMS or do you follow a different path?

RS – At WMS we adhere to the belief that our proven Player Driven Innovation™ game development process delivers great games regardless of where the development studio happens to be located. We have built a worldwide footprint of nine game development studios that are staffed with passionate people who bring a diverse range of ideas, experiences and products to the table and create products that work in all markets and for all end-users. This global creative engine truly never rests, giving WMS the ability to conduct our research

and development of new game themes, concepts and cabinet designs twenty-four hours a day, 365-days a year.

Q: WMS was one of the first companies to supply Chinese language games to the Macau market - what impact did this have on the adoption of games by both operators and players, and how important is it to ensure that games are available in the local language?

RS – WMS has long recognized the importance of providing our customers and their players with products that are uniquely suited to their needs and the needs of the local market. To accomplish this goal, we provide our customers with a standardized product that has the flexibility to deliver local features and symbols that help make the experience for their players both familiar and comfortable. At the same time, WMS provides its customers with a standardized product that takes advantage of all our market-leading technologies and features, which we believe are important to slot players regardless of market. When we look at our experience in Macau, for example, we see operators in a marketplace that demanded a localized solution and subsequently embraced our games, giving us a healthy share of the floor in their rapidly growing facilities.

Q: Could you describe the relationship between WMS and RGB - how closely involved is RGB in the selection, feedback and ultimate type of game offered in the market?

SS – Our goal has always been to deliver the best possible gaming experience to slot players and, in turn, provide our customers with the best service in the industry. To that end, our

relationship with RGB in SE Asia is extremely close as, in certain cases, they maintain, closer day-to-day contact with some of our customers. In these situations, RGB provides a tremendous benefit to our efforts as they serve as our eyes and ears on the ground, listening to and responding to our customers' needs so that we can ensure we put the best possible product into the marketplace. We believe the visible growth of WMS' market share in Asia over the past few years proves not only the success of our partnership with RGB but also the attractiveness of our games and systems for slot players in SE Asia.

Q: How do you select the Asian themes that you are going to develop and how much cultural research do you conduct to ensure you get the mix just right?

RS – Our Player-Driven Innovation includes extensive local market research efforts that encompass every step of the game development process. Our market research organization performs a wide range of concept, prototype and beta testing with players in many markets which identifies their likes and dislikes and results in detailed data that our game designers can use to fine tune the products before they are put on the casino floor. This game development ensures that our final products deliver the highest level of player excitement and profitability for our customers. Since we have a worldwide customer base and a global development team, our market research organization is also a global operation and we conduct our player evaluations across the globe to ensure that we capture the widest-possible range of player feedback and fully understand the cultural implications of our game experiences.



Robert Siemasko, VP Product Management, WMS Gaming.

"Since we have a worldwide customer base and a global development team, our market research organization is also a global operation and we conduct our player evaluations across the globe to ensure that we capture the widest-possible range of player feedback and fully understand the cultural implications of our game experiences."

Q: S.E. Asia is seen as a single market, but for slots there are many different types of machine player, in many of the different countries. How much of the portfolio of games do you make available to the different markets?

Stuart Gribble, Sales Manager, South East Asia – In much the same way we operate in many of our global regions, WMS cannot and does not market the entire breadth of our product portfolio in Asia. Instead, we select products that match up with the needs and wants of slot players in the SE Asian region and then further tailor those products to ensure that the experience they provide is customized for the slot players, including presenting games in their language, adjusting the game math to be market-specific, ensuring that the overall principle of the game and the game mechanics is understandable and entertaining to the local players. We offer a customized line of our Community Gaming™ products to slot players in Asia as well as our Bonus Bank line where the thrill of anticipated wins heighten the player's gaming experience.

Q: One of the really important aspects of WMS games is the sound - beyond the language changes and graphics, do you create specific sound effects for S.E. Asian games? If so - what's involved in developing these sound FX?

RS – WMS' game studios operate with a holistic approach in an effort to deliver the best possible player experience. Our developers work with entire themes, seeking to deliver products that offer a consistent gaming experience that includes audio, graphics and direct player interaction. Our game development studios include experts in creating





products that fully immerse the player in the gaming experience and we have technology platforms, such as our Sensory Immersion platform which includes real-time 3D graphics and a built-in BOSE® 3Space® audio system, that allows our developers to create a fully immersive audio and visual gaming experience that touches all the senses of slot players as they play the game.



Stuart Gribble, Sales Manager, South East Asia, WMS Gaming.

“WMS cannot and does not market the entire breadth of our product portfolio in Asia. Instead, we select products that match up with the needs and wants of slot players in the SE Asian region and then further tailor those products to ensure that the experience they provide is customized for the slot players, including presenting games in their language, adjusting the game math to be market-specific, ensuring that the overall principle of the game and the game mechanics is understandable and entertaining to the local players.”

Q: There's specific emphasis right now in the Macau market on VIP players, but there continues to be great hope that the mass-market will develop in the country. Is it possible to supply both - or do you concentrate, for now, on the VIP sector for the most immediate gains in the market?

SG - We believe that great games - and by that we mean the games that offer slot players the highest possible level of entertainment value - are great regardless of their denomination and their targeted end user. It is true that while the casino operators in Macau have targeted the bulk of their efforts towards the VIP slot and table game player in general, more effort is being made to lure the mass-market slot player to the casino. To that end, we target the mass-market in Macau by providing the same games that are found in VIP areas with differences only on the configuration of the games. Mass-market visitors to Macau casinos will find lower denominations and a different percentage return to players but their entertainment experiences will otherwise be identical to those of the VIP player in every other respect.



Q: How much is S.E. Asian mirroring the resurgence in stepper product that we have seen in the US market?

SG - The stepper products we offer have been extremely well received across Asia and we have had particular success in Macau with these products. In the past year, about 42% of our installations in that market have been stepper machines and we believe this success should continue going forward as players continue to seek out our steppers.

Q: Do you sell your Asia-specific games into other markets? Are they, for example, successful with Asian players in the US?

RS - As noted before, we sell the same games across all our global markets with some limited customization to localize some of the themes and deliver the local language in the end product. The products from our portfolio that have sold well and performed well in Asia have also demonstrated success in many markets where there is a high non-native Asian population such as casinos in the Western United States.

Q: As Singapore readies to launch itself into the casino marketplace, what are the demands from operators specific to the requirements of players, the expectations of slot performance, the initial offer etc. that will define this market from day one?

SG - While Singapore is still to be established as a gaming market, the potential slot player there is already very familiar with casinos and slot-based gaming. Today, consumers seeking out slot machines in Singapore can find them in clubs and on cruise lines or they can travel to the nearby Genting Highlands Resort in Malaysia where they will find one of the world's largest casinos. Therefore, as Singapore moves to open full-scale casinos, we would expect potential customers to be very highly educated slot players with a fully developed sense of what they want to get from their gaming experience. Furthermore, with the expected competition between the two proposed operators, WMS believes that manufacturers will need to deliver games and systems with a proven history of high-performance and we believe that our product portfolio positions us to be a

supplier of choice in this market.

Q: WMS has recently stated that its entering the Australian market - what are your expectations of this notoriously challenging market and what does WMS have to offer Australian players/operators?

RS - We believe that the success of our product portfolio, game themes and industry-leading technology across the globe should easily carry over into the Australian marketplace. Based on the market research we have done ahead of our entrance into Australia, slot players are looking for exciting new products that provide a superior entertainment experience and we believe our portfolio provides just that. Australian slot players prefer the excitement and interactive entertainment of video reel games which aligns very favorably with the core attributes of our product portfolio. We think our customer-focused product development strategy positions us to effectively compete in a challenging marketplace such as Australia.

Q: What does the future hold for WMS in S.E. Asia and how important is this market to the international business of the company?

SS - There is enormous potential for WMS to continue growing its presence in SE Asia as we look for a number of key areas of growth. First, easing of the visa restrictions in Macau will help that market get back to a growth trajectory, particularly with the upcoming launch of casinos in Singapore. Second, we are seeing some impressive growth in both the Philippines and Malaysia. Third, Taiwan has the chance to be another area of growth as the local government there begins to deliver on casino licenses. Fourth, India remains a "sleeping giant" in our minds. While the Indian government has signaled its opposition to casinos in the past, we believe there is the chance at some point in the future that the government's position will relax and we will be able to target this enormous untapped marketplace. Taken together, these key opportunities represent a significant book of potential business for WMS that can add to our prospects for growth in the current markets based on our ability to deliver slot entertainment that is highly in demand.



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- Double bet feature allows all bets placed to be doubled until bet limits for each field is reached.
- Different colours highlight both big and small fields, respective wins in history and triple wins.
- Themed animations play on the plasma in standby mode to attract customers.



East meets West

As the gaming industry focuses on the east in 2010, Taiwan's Astro Corp. shows its panoply of games have both foreign and domestic covered

As global economic power relentlessly shifts from West to East, one of Asia's most successful video slot manufacturers has crossed the divide and launched several successful games, specifically targeted at Europe and The Americas.



Simon Herbert,
Astro Corp. CEO.

“Education and training are the lifeblood of our business. In stark contrast to the position many western businesses find themselves in, the Asian business philosophy is to look towards the medium to long term. The Astro Corp perspective on business is a holistic one. If you learn how to adapt and to excel at what you do, you will be in a strong and competitive position to deal with global market fluctuations”

Taiwan's Astro Corp has enjoyed a dynamic decade of success and growth. The company was established by its President Arden Yang in 1993 and by 2004 had already achieved a successful public listing on Taisdaq. Today, Astro Corp employs 376 people, supplying games and systems to gaming and amusement markets in over 50 countries.

International expansion is the responsibility of CEO Simon Herbert, an industry veteran who joined Astro Corp in 2007. Having previously held top positions in a number of high profile public and privately held gaming supply businesses worldwide, Simon Herbert gives his take on what differentiates the company.

“Astro Corp's primary focus has always been on product and we never intentionally set out to challenge the established order. However, our operating methods are very different from those of most of our competitors. We have never been anything other than content driven, and our structure has reflected this from the outset.”

Astro Corp is based in a country that lives and breathes digital content. In 2007 the Taiwanese Government named the digital content industry as one of the two 'Star' industries in its Two Twin



Stars development plan.

The Taiwanese Government has successfully promoted inbound investment and also training to the point where many international companies in the entertainment sector have their own facilities in Taiwan or are sourcing content from the country.

A visit to Astro Corp's facility in Sanchung reveals a development team of staggering proportions. The company's involvement with the Digital Content Institute on the Nankang Software Park and other centres of excellence ensures that Astro Corp is at the cutting edge.

Typically, members of the development team will have studied 3dsMax, Advanced Photoshop, Modelling, Skeleton Rigging, Texturing, Lighting, Animation, Anatomy for the Artist, Vray Rendering, Special Effects and Illusion. This developmental philosophy has a huge impact on the final product and Astro Corp has a reputation for engaging games with high impact and entertainment value.

“Education and training are the lifeblood of our business. In stark contrast to the position many western businesses find themselves in, the Asian business philosophy is to look towards the medium to long term. The Astro Corp

perspective on business is a holistic one. If you learn how to adapt and to excel at what you do, you will be in a strong and competitive position to deal with global market fluctuations,” stated Mr. Herbert.

“The market in Asia is buoyant, and we are well respected here. It's important, however, not to rest on our laurels. The Asian casino gaming market is not recession proof and it's still primarily a table games market. We see all sorts of predictions about market size, based on slots penetration reaching US levels, however, that' still debatable due to cultural differences,” he added.

As to be expected, the portfolio of Asian style games is unsurpassed. These games are dramatic and often based on legends and folklore. What is more surprising is how Astro Corp has embraced international themes and cultures with an array of games such as The Detective, ORC, Arabian Legend and Vegas Nights.

The multi-line video reel games are presented in single or dual screen format and are available with a touch screen option. The games are complemented by a range of themed progressive jackpot displays. The latest, Babylon Cash and Rise Higher, have jaw-dropping levels of digital animation.

Astro Corp appears to have hit on a

winning formula. The company has a huge advantage when delivering games for Asia, but it doesn't stop there. Games developed for other cultures and markets offer no clue as to their original birthplace.

Simon Herbert revealed how this is achieved: “Development specialists are divided into market specific teams so that they achieve a deep understanding of player preferences, compliance and regulatory issues.

“This market orientated approach accelerates the development process and has brought about some considerable successes in Europe and Latin America. Where possible, we will work with experienced local distributors and operators,” he explained.

And what can we expect from Astro Corp in the coming year? “Firstly, we'll continue to invest in talent. Our strong position enables us to do this. Secondly, it's evident that we have a skill for delivering targeted product within a short time span. We're currently looking at several new territories,” said Mr. Herbert.

“In the UK, for example, we've developed a category B3 game in conjunction with JPM, and B4 and category C versions will follow shortly. We're nimble, adaptable and enjoy these sorts of challenges.”



The changing face of gaming

Once a thriving gaming market, Cambodia's government has declared war on the industry, revoking licences and creating mass confusion

Formerly known as Kampuchea, Cambodia is the successor state of the once powerful Hindu and Buddhist Khmer Empire which ruled most of the Indochinese peninsula between the 11th and 14th centuries.

Cambodia lies within the tropics and borders Thailand to the north and west, Laos to the northeast and Vietnam to the east and southeast. There is a 443 kilometre coastline along the Gulf of Thailand.

It has a mysterious and rich past of cultural heritage including Angkor Wat, the world's renowned ancient temple city which draws tourists from all over the world.

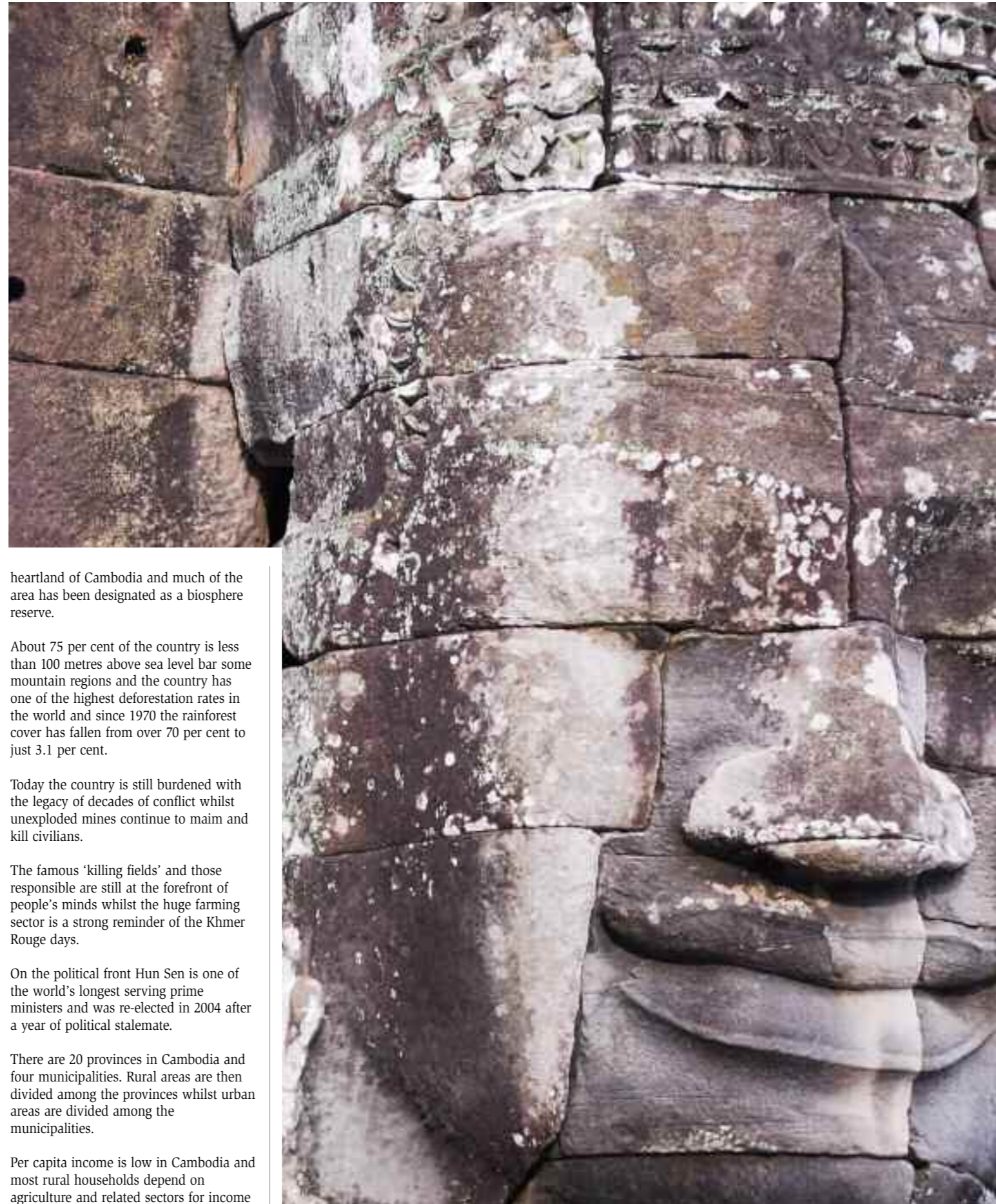
Cambodia is made up temples and jungles, whilst the monsoon season brings it own uniqueness and not only fills the Great Lake bringing fresh fish every year but also swells the Mekong River forcing the Great Lake to reverse its course.

The most distinctive geographical feature is the Lacustrine Plain formed by the inundations of the Tonle Sap (Great Lake) which measures about 2,590 sq.km in dry season and up to 24,600 sq.km in the wet season.

This densely populated plain is devoted to wet rice cultivation and is the

In 1994 the Cambodian government invited proposals as part of an international tender process to develop an island casino resort in the Sihanoukville region, a coastal area near the southern tip of Cambodia.

Ariston, then privately owned by Tan Sri Dr Chen, was chosen and in 1995 Ariston gained the right for the development paying the Cambodian government a premium total of US\$103m over the following years.



heartland of Cambodia and much of the area has been designated as a biosphere reserve.

About 75 per cent of the country is less than 100 metres above sea level bar some mountain regions and the country has one of the highest deforestation rates in the world and since 1970 the rainforest cover has fallen from over 70 per cent to just 3.1 per cent.

Today the country is still burdened with the legacy of decades of conflict whilst unexploded mines continue to maim and kill civilians.

The famous 'killing fields' and those responsible are still at the forefront of people's minds whilst the huge farming sector is a strong reminder of the Khmer Rouge days.

On the political front Hun Sen is one of the world's longest serving prime ministers and was re-elected in 2004 after a year of political stalemate.

There are 20 provinces in Cambodia and four municipalities. Rural areas are then divided among the provinces whilst urban areas are divided among the municipalities.

Per capita income is low in Cambodia and most rural households depend on agriculture and related sectors for income



with rice, fish, timber, garments and rubber being the major exports.

Cambodia became self sufficient in rice in 2000 after the ravages of war however many farmers are vulnerable to crop failure and in recent years international organisations have been trying to encourage farmers to grow other crops.

The economic recovery was slow in the late 1990s and investment and tourism decreased drastically, but since then growth has been steady and tourism is the country's second source of hard currency after the textile industry which accounts for 85 per cent of all exports.

Back in 1997 there were 219,000 tourists growing to 2.1 million visitors in 2008 bringing in US\$1.6bn although some predict this may now drop due to the economic slowdown.

The largest number of visitors are arriving from Korea followed by neighbouring Vietnam then Japan then the US.

Meanwhile with political stability and government reforms Cambodia has seen tremendous economic growth over the last three years although the World Bank is predicting a growth of only 4.8 per cent this year due to the slowdown in trade.

Cambodia does have a legacy of state owned enterprises which does hamper competition in many sectors however as a rebuild country the Cambodians are eager and enthusiastic to develop their country.

Urban land prices are high however although investors are often drawn here by the low wages, abundant resources and foreign friendly atmosphere even

though concerns remain over corruption.

GAMING MARKET

Cambodia is a premier gambling destination although it still remains largely unregulated even though it is governed by the Ministry of Interior

There are approximately 50 licensed casinos in the country and the gaming industry is growing in popularity particularly along the borders with Thailand, Vietnam and China.

In 1994 the Cambodian government invited proposals as part of an international tender process to develop an island casino resort in the Sihanoukville region, a coastal area near the southern tip of Cambodia.

Ariston, then privately owned by Tan Sri Dr Chen, was chosen and in 1995 Ariston gained the right for the development paying the Cambodian government a premium total of US\$103m over the following years.

The government at the time issued Ariston with a 20 year casino licence giving Ariston exclusivity for the casino in Cambodia. Ariston later assigned the casino licence to NRCL who in 2007 entered into a management agreement with Poibos for 10 years.

In 1995 the gaming operations began on a barge anchored on the bank of the Bassac River in a central location in Phnom Penh which cost around US\$7m to renovate and upgrade.

Meanwhile between 1995 and 1999 a number of casinos, many of which were unlicensed, began to open in Phnom



Penh going against the exclusivity agreement and in mid 1999 the government ordered the closure of all casinos in Phnom Penh except the Ariston operation.

In June 1999 Ariston started legal proceedings against the government for the exclusivity for the casino licence. In 2000 an amendment was made to the agreement for the Sihanoukville development which granted Ariston instead exclusive rights for casino gaming within a 200 kilometre radius of Phnom Penh.

The company then received a 70 year casino licence in 1995 and also a 41 year gaming monopoly for the Phnom Penh area.

In August 2000 a land area of 14,160 sq.m situated between the Buddhist Institute and Bassac squatter area on the Mekong River, some 500 metres from the barge operation, became the site for the construction of a new entertainment and hotel complex called NagaWorld.

Construction began in 2000 and consisted

of a 14 storey hotel wing and eight storey entertainment wing connected together by two sky bridges. The casino was relocated from the barge to NagaWorld in 2003. In 2002 Naga Corporation (HK) purchased the share capital of Ariston.

The licence states that there is no restriction to the size of the casino or number of tables, machines, game types or operating hours.

The resort features a hotel with 508 rooms, ballroom, entertainment facilities, shopping, restaurants, MICE facilities and cost US\$100m to build. The casino has 176 gaming tables and 237 slots plus a sports station which includes 36 machines for football betting. In July this year NagaWorld signed a deal to add an additional 200 gaming machines to be operated by Elixir Gaming Technologies who operate the 237 slots currently.

Elixir places gaming machines on a revenue share model in venues in the Asia Pacific region and say the machines in NagaWorld have seen an average win per unit per day of more than US\$200 during the month of May and June.

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The casino is open to all tourists, Cambodians with foreign passports and special junket programmes and comes with VIP areas. In theory the casino be reached by some 1.8 billion people within a two and a half hour radius.

The company has a maximum table limit of US\$50,000 and caters for regional mid-size players.

In 2008 Naga Corp saw total revenues of US\$193.4m (an increase of 34 per cent) with a gross profit of US\$88m. Of the revenues 44 per cent was from STG/junket floor tables, 53 per cent from the public floors, 1.6 per cent from gaming machines and 1.3 per cent from food and beverages.

Some 50 per cent of VIP players last year were from Malaysia followed by 21 per cent from Singapore and 18 per cent from China. The casino saw a total of 15,196 VIP visitors last year.

The company pays a fixed monthly gaming tax, irrespective of revenue, of US\$160,180 per month subject to an annual 12.5 per cent increase until 2018.

NAGA WORLD FIGURES

	2007	2008
Public floor Revenue	US\$75.4m	US\$102.7m
Buy ins	US\$265.1m	US\$555.9m
Public floor Win rate	3.7%	2.3%
Junket VIP revenue	US\$65.4m	US\$85.2m
Number of junket players	18,032	15,196
Check-in amounts	US\$409.4m	US\$443.4m
Average check-ins per player	US\$22,704	US\$29,180
Total rollings	US\$1,984.1m	US\$2,373.9m

Naga pays high commission payments of 1.6 per cent of rollings.

The company receives fixed income payments for the provision of the slots so does not have to pay rental costs and in 2008 saw revenues of US\$3.1m.

Meanwhile as the Naga World was evolving the government had also embarked on a plan to promote foreign investment in the country by seeking

overseas capital in casinos along the Thai/Cambodian border.

In 1999 the Holiday Poipet Casino was built just 100 metres from the Thai border and so began the popularity with the area with seven others following since.

Poipet has since developed from a dishevelled frontier town into a glitzy and glamorous haven for gamblers. The casinos remain smallish offering free

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The area is kept beautifully manicured with lush lawns and clean streets, a far cry from the shanty towns nearby which most tourists rarely see as they are shuttled from the airport to the casinos in mini buses.

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It is thought some 1,000 Thais cross the border every day and high rollers are offered numerous perks in a bid to keep them gambling.

Not far away is the bridge over Khlong Leuk canal which became known when convoys of foreigners were taken to safety during the Khmer Rouge's takeover later immortalised in the Killing Fields movie.

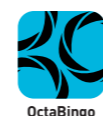
The casinos are strategically housed past the border from Thailand but before the checkpoint to Cambodia thus enabling Thai gamblers to play without officially entering the neighbouring country.

Cambodian immigration authorities do however issue either 10 hour entry



OctaLotto

Octavian develops systems and game content and provides complete end-to-end lottery solutions, from consulting and set-up, through systems implementation and supplier management, to marketing, training and ongoing support



OctaBingo

Octavian provides the electronic terminals and develops the games, bonus features and multi-level and mystery jackpots that are the core attractions of exciting, successful bingo operations



permits for Thais without a passport or a week long border pass for passport holder with a Cambodian visa.

The one kilometre gambling strip comes complete with luxury hotels, shopping centres, brothels and

essentially it's a gambling no-man's land ideal for the players and also the workers who kind of operate in a tax free, no work permit haven.

Poipet is about four hours drive from Bangkok and now has eight casinos featuring blackjack, baccarat, roulette and slot rooms plus the popular VIP lounges. They have a combined income of more than US\$12.5m. Some 90 per cent of the gamblers are Thai and even the currency accepted is the Baht.

Since then other border towns like Bavet on the Vietnamese border have followed suit and is now home to the Le Macau Casino and Hotel.

Back in 2003 two major border passes with Thailand were closed by the Cambodian government in retaliation against Bangkok barring Thai's from crossing into Thailand following anti-Thai rioting in Phnom Penh at the Thai embassy.

The dispute was finally settled when Bangkok had demanded compensation and as Phnom Penh couldn't pay two Poipet gambling tycoons covered the bill.

Thailand's Bangkok is the regional hub where tourists can enter Cambodia. Some 1,500 passengers come to Cambodia through Bangkok everyday making up 30 per cent of all daily entry of visitors into the country. During stable times there were 10-12 flights shuttling between northern tourist town Siem Reap, the capital Phnom Penh and Bangkok. But the crisis in Thailand has stopped this boom.

Meanwhile there have always been questions over the ownership of the casinos and how the land was acquired for the developments. There is also concern over where the money from the casinos goes.

Some also fear that if Thailand opens up its gambling jurisdiction then Poipet could lose its key gamblers and once again become a remote border town.

At the moment the border casinos are suffering with revenues dropping. Some operators report their customer base halving and have had to cut staff.

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And although real business is the high roller industry the locals do like to play. However there is a big problem gambling situation in Cambodia and with low wages some locals are losing almost all their earnings. It is estimated that a third of the population live on 50 cents a day in South East Asia.

A new casino law is now being drawn up to regulate the industry and impose greater restrictions of slot machine gaming.

UPS AND DOWNS

There is some new development news in Cambodia following reports last year that Queenco Leisure International Ltd had bought nine hectares of land in Sihanoukville for US\$10m.

The idea is to build a beachfront resort and casino including hotels and conference centres as part of a plan to turn the area into a tourist destination. A year previously the company had bought 48 hectares of land in the area

Sihanoukville is already expanding its local airport to cater for international flights whilst the area has also seen a rise in property prices. Around 320,000 tourists visit Sihanoukville.

Queenco currently operates and manages four casinos in total with 1,650 slots and 160 tables between them. Two casinos are in Loutraki and Rhodes in Greece plus Casino Palace in Bucharest and Casino Beograd in Belgrade.

The company hopes the Cambodian site

A new resort is being planned for a 265 hectare site in the Siem Reap area which is in easy reach of the world famous temple Angkor Wat.

will attract players from nearby Thailand and Vietnam.

A new resort is also being planned for a 265 hectare site in the Siem Reap area which is in easy reach of the world famous temple Angkor Wat.

The Bellus Angkor Resort and City will be an integrated leisure and gaming resort costing some US\$500m and is likely to have the same support as Naga World from the Prime Minister.

The developers and gaming licence

holders are Intercity Group, a Korean construction, architecture and investment business group which was set up in 1994.

The company has a business presence in Vietnam, Cambodia, Thailand and UAE and is headed by founder and CEO Hyung-Joo Kim.

The opening ceremony was held in August this year and building will begin in October. The first phase will include three hotels, golf course, water park, shopping malls, casino, ballroom, spa and botanical gardens due to be completed by March 2011. The casino is expected to house 1,000 slots and 300 gaming tables. Once the resort is open Siem Reap could attract some three million visitors from 2011.

It is thought that the new resort will pay a similar flat fee tax of around one to 1.5 per cent of annual gross revenues like Naga World which makes Cambodia a more attractive destination for junket operators with a high commission rate possible.

Meanwhile on the downside the Cambodian government has been clamping down on other forms of gambling in a bid to "make social reform, strengthen public order and improve social morality."

The Prime Minister Hun Sen says that gambling games are a source of problems in the country and generate disputes, domestic violence and petty crime.

Despite bringing in around US\$20m of revenue in 2008 the government also claims the gambling sector brings in little revenue.

In reality however it seems that police chief Hok Lundy used his position to collect money from gambling operations which was then distributed among his officers. When Lundy died in a helicopter accident in November last year the money stopped leaving some unhappy officers who then began to issue spot fines which in turn led to locals becoming very restless.

The government had to deal with the problem and back in December 2008 an order was issued to check all licences for places operating slot machines. At the time some 15 unlicensed slot machine centres were closed, 12 in Phnom Penh, two in Sihanoukville and one in Kandal province.

The government also ordered all slot machines in entertainment clubs to be

removed allowing them only in hotels. The government said entertainment clubs equipped with slots could be opened at hotels in cities and some provinces whilst licences to operate must be obtained from the Ministry of Economy and Finance and hotels must have certificates from the Ministry of Tourism. Local Cambodians were no longer permitted to enter the gaming halls.

More recently, on February 27 this year, the country's government went one step further and declared war on gambling in a bid to ban Cambodians from gambling - full stop.

It has now banned all gambling that uses slot machines plus all football betting, whether online or in the high street, whether it was licensed or not.

Its first measure was to revoke the licence of Cambo Six, the sole licensed bookmaker in Cambodia, without any form of compensation or warning.

Cambo Six started operating in Cambodia in February 2002 as the only legal franchise of football betting in Cambodia.

Its licence issued by the Ministry of Economy and Finance was due to be valid until 2011. However now all of its 20 plus branches throughout the country are now closed and signs have been dismantled. It is estimated that Cambo Six brought in around US\$1m in taxes per year.

Cambo Six accepts bets via cash outlets, telephone and internet and the majority of its clients were Cambodian although the company also had clients from other parts of Asia.

The company had foreign investments from Hong Kong based Golden Resort Group Ltd which owns a 49 per cent stake in Cambo Six following an investment agreement in June 2007.

The company is now claiming compensation from the government saying it has suffered huge losses due to the lost infrastructure investment and sudden closure.

Another victim of the recent closure included Sporting Live Group which is also asking the government for compensation for the premature end to its licence.

Sporting Live Group is a web based sports gambling chain which was established in 2006.

CAMBODIA: VITAL STATISTICS

Capital: Phnom Penh
Population: 14,494,293
Land Area: 181,040 sq.km
Median age: 22.1 years
Languages: Khmer (official), French, English
Currency: Riels (KHR)
Religions: Buddhist (96.4%), Muslim (2.1%) other (1.5%)
Government: multiparty democracy under a constitutional monarchy
Chief of State: King Norodom Sihamoni (since 2004)
Head of Government: Prime Minister Hun Sen (since 1985)
Cabinet: Council of Ministers named by prime minister and appointed by the monarch

No. Casinos: 50
Gaming Arcades: 200 (all closed Feb 2009)
Casino Slots: approx 4,400 (237 in NagaWorld)
Casino Tables: n/a (176 NagaWorld)
Gaming Revenue: US\$20m

Slot machines and other gambling activities also came in the firing line of the government ban and some 100 outlets have been closed around the country, some 70 in Phnom Penh alone, causing some 5,000 job losses.

Many slot halls who had rental contracts for their premises have now changed their venues into coffee shops in a bid to keep employees in work and a business over their heads.

HISTORY

Evidence of advanced civilisation in present day Cambodia dates back the 1st millennium BC.

For more than 2,000 years Cambodia absorbed influences from China and India passing them onto other Southeast Asian countries.

The Khmer empire flourished between the 9th to 13th century which is when Buddhism was introduced to the area from the monks in Sri Lanka.

The Khmer Empire remained powerful until the 15th century and the centre of that power was Angkor, where a series of capitals were constructed.

After a series of wars with neighbouring kingdoms Angkor was abandoned and swallowed up by the jungle later creating



the myth of the lost civilisation.

Continuing wars meant during the next three centuries the Khmer kingdom alternated as a vassal state of the Thai and Vietnamese kings with periods of short lived independence in between.

In 1867 the Thai king signed a treaty with France renouncing reign over Cambodia in exchange for control of some provinces in Thailand at the time.

Cambodia continued as a protectorate of France until 1953 administered as part of the colony of French Indochina finally gaining independence under King Norodom Sihanouk.

In 1955 Sihanouk abdicated in favour of his father in order to be elected Prime Minister. When his father died in 1960 he became head of state again.

He took a policy of neutrality but was ousted in 1970 by a military coup. Sihanouk joined up with Khmer Rouge rebels and thus began the civil war.

Between 1969 and 1973 US forces bombed and briefly invaded Cambodia in an effort to disrupt the Viet Cong and Khmer Rouge. Two million Cambodians fled to Phnom Penh and as the war ended the country faced serious famine.

The Khmer Rouge reached Phnom Penh and took over power in 1975 and sent the entire population to work on rural projects resulting in the death of over a million from execution, starvation, overwork and disease.

In 1978 Vietnam invaded Cambodia to stop Khmer Rouge and violent warfare between the two continued throughout the 1980s. Peace efforts began in 1989 and finally ended in 1991 with a settlement.

In recent years reconstruction efforts have progressed and there is now some political stability under the form of a constitutional monarchy.

However its natural resources such as timber are still being exploited by interests from other Asian countries where Khmer Rouge is still active in some areas.

In 1997 the stability was shaken by a coup d'etat but has otherwise remained in place. In recent years the country has seen double digit economic growth and seeks foreign business investment to modernise the nation and eliminate poverty.

Keeping casino gaming afloat

Land-based gaming takes a different path in the Indian gaming market as deep-rooted public resentment puts the industry all at sea

The name India is derived from Indus which comes from the old Persian word Hindu. India is the 7th largest country by geographical area and the second most populated country and has the world's 12th largest economy.

Surrounded by three seas it has a coastline of 7,517 kilometres which is made up of 43 per cent of golden sandy beaches whilst its land borders Bangladesh, Bhutan, Burma, China, Nepal and Pakistan.

The Himalayas are the world's highest mountains and these are located in the north and north east of India.

With its historic trade routes and vast empires the Indian subcontinent has long been identified with its commercial and cultural wealth.

Some 70 per cent of Indians live in rural areas although in recent years migration to larger cities has led to a huge increase in the country's urban population.

Large cities include Mumbai with a population of 13.9 million followed by Delhi with 12.2 million and then Kolkata, Chennai, Bangalore, Hyderabad and Ahmedabad.

Over the last few years there has been a conscious effort to promote India via the government coordinated 'Incredible India'

Gambling is not permitted in India except for the six floating casinos currently operating in Goa plus more recently the first land based casino which has opened in the state of Sikkim. Goa is Indian's smallest state in terms of area covering 3,702 sq.km and is the fourth smallest in terms of population with around 1.4 million.



campaign aimed at implementing tourism projects, developing integrated tourism circuits and rural destinations and improving the hospitality sector.

India's travel and tourism industry is one of the most profitable industries in the country. Around 4.6 million tourists visited India in 2006/7 and spent US\$9.6bn, a growth of 23 per cent over the previous year.

One reason for the growth is the increase in the arrival in foreign tourism and the increase in the number of Indians travelling domestically and escaping the heat and heading for resorts in the Himalayan Mountains.

The growth rate of the Indian economy has raised middle class incomes and prompted more people to spend money on vacations at home or abroad.

Some of the most favoured destinations in India include Kerala for its scenic beauty, Agra for the Taj Mahal, Khujraho for its sculptures and temples and Goa for its beaches and pilgrimages.

Between the 1950s and 1980s India followed socialist inspired policies and the economy was shackled by extensive regulation and public ownership which in turn led to slow growth.

However economic reforms have been in place since 1991 and the emphasis has been on foreign trade and foreign investment and it has grown into a fast growing economy.

It has the world's second largest labour force with 516.3 million people and in terms of output the agricultural sector accounts for 28 per cent of GDP, service and industrial sectors 54 per cent and 18 per cent respectively.

Major products include rice, wheat, oilseed, cotton, tea, sugarcane, cattle and fish and major industries include textiles, chemicals, food processing, steel, mining, machinery and software.

Despite the global slowdown the Indian economy is estimated to have grown close to 6.7 per cent in 2008/9 and is estimated to growth to 6.1 per cent in 2009/10.

Despite the growth the country still has the largest concentration of poor people in the world and suffers from high levels of poverty, malnutrition and illiteracy.

India is made up of 28 states and seven union territories. All the states and two union territories (Puducherry and the

National Capital Territory of Delhi) have elected legislatures and governments patterned on the Westminster model.

The other five union territories are directly ruled by the centre through appointed administrators. Each state and union territory is then further divided into districts which are then divided into tehsils and eventually into villages.

GAMBLING STORY

Gambling is not permitted in India except for the six floating casinos currently operating in Goa plus more recently the first land based casino which has opened in the state of Sikkim. Goa is Indian's smallest state in terms of area covering 3,702 sq.km and is the fourth smallest in terms of population with around 1.4 million.

It is located on the west coast of India in the region of Konkan. The state is divided into the two districts of North Goa and South Goa which between them comprise of 11 talukas. Panaji is the capital whilst Vasco da Gama is the largest city.

The Portuguese landed in Goa in the early 16th century and conquered it soon after. It existed as a Portuguese overseas territory for around 450 years until it was annexed by India in 1961.

Today it is one of Indian's richest states and tourism is Goa's primary industry and it handles around 12 per cent of all foreign tourist arrivals in India with around 2.5 million annually of which almost 400,000 are foreigners (2007).

There are around 125 km of coastline in Goa which is a main lure for visitors and away from the coastal resorts the land is rich in minerals and ores and mining forms the second largest industry. Agriculture is a shrinking industry with rice as the main crop followed by areca, cashew and coconut.

There are around 720 charter flights per year coming into Goa full of tourists, many of them looking for entertainment in addition to the beach life.

India's first slot machine licence was granted to Goa in 1992 when the Goa Public Gambling Act 1976 was amended to permit electronic casinos to operate inside five star hotels.

The set up of the casinos was controversial due to a complete gambling ban in Indian however the land based slot casinos were tolerated and today are often seen as an unnecessary evil to boost government coffers.

In 1996, on the last day of the monsoon session, a quick amendment was again inserted into the act permitting offshore vessels the chance to operate live casinos.

There was a huge outcry over this addition and so in 1997 a notification was added permitting only electronic amusement and slot machines. Accordingly a licence was granted to Hotel Ramada and the Frank Shipping Company. In 1999 the rules were amended further to authorise table games

In 2002 the first floating offshore casino opened, Caravela, which for five years held a monopoly status until 2007 when the State expanded the number of licences.

A further five licences were permitted to boost revenues and in a bid to attract tourists from the Arabian peninsula and lure in gamblers heading to neighbouring Nepal to gamble.

The Catholic Church has always been violently opposed to the idea and says casinos will cause great social damage to the region and the opposition party BJP says it will close down all offshore casinos if the party is ever voted into power.

Despite the adversity however Goa's new found reputation as a gambling destination is beginning to take off. The financial year 2008/09 saw 121,000 gamblers visit the offshore casinos at the time.

The most popular was the first casino, Caravela which saw 36,000 visitors and paid nearly Rs1.39 crore in entertainment tax to the government followed by Casino Rio with 25,000 visitors and paying Rs56 lakh in tax.

The floating casinos of Goa are never far out of the news whether it is disputes between government politicians and casino operators or the government casino licensing body.

In 2008 a bill was introduced by opposition leader Manohar Parrikar which sought to restrict offshore casinos beyond five nautical miles from the Goa coastline and operated only from maritime vessels rather than from their inland waterways, especially on the river Mandovi.

The Bombay High Court has directed the Goan government to freeze its directive on offshore casino operators to move out of the Mandovi river and into the Aguada Bay.

It seems the presence of casinos in the

In 1996, on the last day of the monsoon session, a quick amendment was again inserted into the act permitting offshore vessels the chance to operate live casinos.

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river is causing problems with the flow of ferry and barge traffic and the six casinos anchored here has long been a bone of contention between the main opposition party BJP and ruling coalition government.

The BJP has alleged corruption in the issuing of licences and wants the casinos moved out of the river into the sea to avoid congestion.

The BJP also says if casino gambling is permitted for the rich then Matka, an illegal but popular form of gambling in Goa, should be legalised for the poor.

Matka gained immense popularity in Mumbai in the 1970s and is run like a lottery with winning numbers generated twice a day six days a week.

The casino operators claim they can not

move to Aguada Bay as their vessels are not sea worthy and would not survive the strong coastal winds. They have suggested that they be allowed to park in a single line either in the Mandovi River or at Alto Betim.

Meanwhile in March this year the Goa government asked all six offshore casinos to suspend their operations and sealed restaurants in five of them for not having food and drugs licences.

There has been a huge outcry over pollution caused by the vessels and the Goa State Pollution Control Board closed all six for failing to obtain their authorisation for Hazardous Waste Rules which reports that waste oil is being deposited in the sea by the vessels.

The casinos must now receive a licence from the Pollution Control Board before

they can resume operations again which will be valid for two years. In a separate inspection the FDA authority sealed restaurants on five of the six casinos which did not have permissions.

At the moment five of the casino vessels do not have proper licences and their No Objection Certificates (NOC) permits from port authorities all expired earlier this year. The Arabian's NOC licence expires in October.

The government is now refusing to renew licences until they move out of the Mandovi river and the operators are now petitioning the high court against the order. The status quo remains until the issue is sorted and at the moment (July) the court hearings have been adjourned for further investigation.

At the moment the government receives

At the moment five of the casino vessels do not have proper licences and their No Objection Certificates (NOC) permits from port authorities all expired earlier this year. The Arabian's NOC licence expires in October.

around Rs50 crore from the casinos. It recently announced an increase in the casino entry fee ten-fold from Rs200 to Rs2,000 per person to boost revenues.

The Association of Offshore Casinos is now proposing this is dropped to Rs500 whilst seeking to increase the age limit of casino players from 18 to 21 years.

Caravela is apparently asking for a separate hearing due to the fact it was the first and is the oldest offshore casino opening in 2002 whereas the other five opened in 2008.

Caravela claim they pay annually Rs1.8 crore for the jetty, another Rs5 crore to the government plus 10 per cent escalation charges.

Meanwhile the Aam Aurat Admi Against Gambling (AAAAG) is currently

INDIA: VITAL STATISTICS

Capital: New Dehli
Population: 1,166,079,217
Land Area: 3,287,590 sq.km
Median age: 25.3 years
Languages: Hindi (41%) plus 14 other official languages. English is widely spoken
Currency: Indian Rupees (INR)
Government: Federal republic
Chief of State: President Pratibha Patil
Head of Government: Prime Minister Manmohan Singh (returned to office after May 2009 elections)
Cabinet: Cabinet is appointed by president on recommendation of the prime minister

No. Casinos: 6 offshore (Goa) and 1 land based (Sikkim)
Casino Operators: 6
Gaming Arcades: 200 (all closed Feb 2009)
Casino Slots: n/a
Casino Tables: n/a
Gaming Revenue: Rs50 crore (Goa revenue from six floating casinos)

spearheading a campaign against both onshore and offshore casinos and is calling for a total ban.

THE CASINOS

Today there are six floating casinos in Goa run by five operators:

CARAVELA CASINO

This was Goa's first casino and until last year was India's only live gaming offshore casino which is located offshore in Panaji in Goa on a yacht called MV Caravela anchored in the River Mandovi.

It opened in 2002 amid much controversy and political uproar at the time when the government permitted a casino in a country where gambling is illegal.

The casino vessel is a twin engine catamaran worth INR110m and is owned by Advani Pleasure Cruise Co Ltd as a joint venture between Advani Hotels & Resorts Ltd (51 per cent) and Casinos Austria (49 per cent).

Advani Hotels & Resorts was previously known as Ramada Hotels Ltd and is a public limited company incorporated in 1987.

Originally it was set up with Ramada UK to build the five star Ramada Caravela Beach Resort at Varca in Goa which it manages today.

The Ramada Caravela Beach Resort is a five star resort with 202 rooms spread over 23 acres which includes golf course and sandy beaches on the Arabian Sea.

The ship is named after the first Portuguese ship that came to Goa in the 16th century and is 215ft long and can accommodate around 300 people. It includes three standard rooms and two suites, a private gaming room, casino bar, swimming pool and tv/video game room.

The casino is operated by Casinos Austria International which operates 45 land based and 10 shipboard casinos in 17 countries.

It houses six American Roulette, four Blackjack, one Baccarat, Two Three Card Poker, one Caravela Pontoon, one Five Card Poker and nine slot machines alongside speciality restaurants, barbecues, swimming pool and suites.

Entrance fees are high set at Rs1,600 for a morning sightseeing cruise in the Arabian Sea and Rs3,000 for the sunset cruise or Rs4,000 for a dinner cruise. The high fees are meant to deter casual and local punters and instead target the foreign tourist market.

CASINO LEELA

This was the second offshore casino to be opened in Goa and the vessel offers an international restaurant, two bars and entertainment.

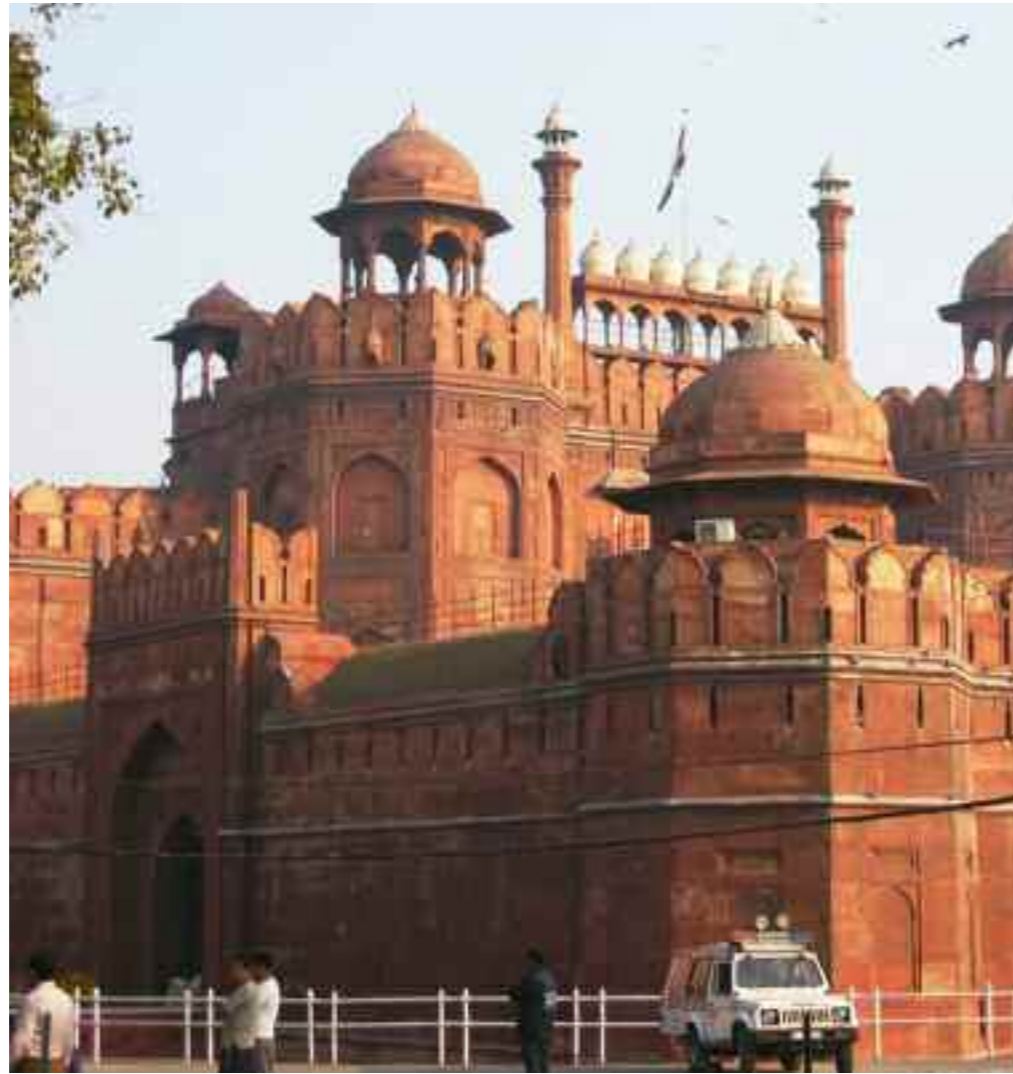
This is a fast boat which was built by Austal ships in Australia and rechristened MV Leela when it was converted to an offshore casino. Leela apparently spent around US\$1.03m on the construction of a land based infrastructure for a floating jetty and a further US\$1.03m annually in casino fees.

The company acquired a licence for the offshore casino in 2006 and it opened in June 2007 and was initially housed in the Sal River adjoining the group's Leela resort. The casino offers blackjack, rummy, stud poker, baccarat and slots.

In September 2007 it was forced to move relocate to Mandovi in Panjim due to opposition from local fishermen and it seems many of its customer base did not want to travel the 30km to the ship.

In April this year Hotel Leela Ventures apparently began talks to sell off its offshore casino to the Gurgaon based MDLR Group which already operates a land based casino in Goa.

MDLR runs the Mint Club Casino at Arpora and there are rumours the company is going to pay around US\$6.1m



for the vessel.

Murlidhar Lakh Ram Group (MDLR) deals in various developments from shopping malls, real estate, hotels and restaurants.

The deal has not yet been clarified and more recently news emerged that Leela was talking with Golden Globe Hotels – an Indian hotel operator.

CASINO ROYALE GOA

This floating casino opened in May 2008 and with 50 rooms is classed as the largest floating casino in India to date.

The offshore vessel is operational from 6pm until 6am during the week and 24 hours on the weekends. Tariff entry is RS1,300 on weekdays and Rs1,500 on weekends.

The casino holds 18 American roulette, 10 blackjack, five 5 card draw poker, five 3 card poker, five baccarat, four pontoon, one Money Wheel, one Craps and 30 slots.

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The ship is named after the first Portuguese ship that came to Goa in the 16th century and is 215ft long and can accommodate around 300 people. It includes three standard rooms and two suites, a private gaming room, casino bar, swimming pool and tv/video game room.

This is owned and managed by Highstreet Cruises and Entertainment PVT. Ltd (a subsidiary of Arrow Webtext Ltd).

ARABIAN SEA KING

The vessel is a sleek catamaran called MV Arabian Sea King which is anchored in the River Mandovi in Panjim City and can accommodate 150 passengers.

It offers American roulette, blackjack, baccarat, 3 card poker, 5 card poker, pontoon, five video slot machines and five Mega Jack multi game slot machines.

The casino is operated by Victor Hotels and Motels Limited which run pleasure cruises and entertainment facilities and was bought in 2007 by Highstreet Cruises and Entertainment. Players pay a Rs5,000 tariff of which Rs4,500 is returned in chips.

PRIDE OF GOA is operated by Goa Coastal Resorts and Recreation PVT ltd of Porvorim.

SAN DOMINIO is operated by Capital Power Ltd, Mauritius.



Meanwhile Goa also operates several electronic casinos which are located in the five star hotels around Goa. These include:

GOLDFINGER CASINO GOA which is located at the Cidade de Goa Resort at Vainguinim Beach which is 40 acres in size and resembles a Portuguese hill hamlet and is associated with the Chances Casino Goa. The resort consists of 20 rooms and a swimming pool and the casino has 35 slots, Baccarat, blackjack, roulette and derby machine.

TREASURES CASINO is located at the Majorda Beach Resort, Salcette, Goa which offers 120 rooms including 10 cottages and suites over 22 acres of land. Treasures casino houses roulette, blackjack and poker and 15 slots.

MINT CLUB CASINO opened recently in March this year in North Goa in the Riviera de Goa Resort. The casino offers American Roulette, Baccarat, electronic roulette, blackjack, mini flush and slots. The casino is run by MDLR group.

Back in 2004 the Sikkim Government passed the Sikkim Casino Games Act and the rules regulating their operation were finalised in 2007 through the Sikkim Casino Games (Control and Taxes) Rules and the market opened up for investors.

HACIENDA DE ORO CASINO is located at the Holiday Inn Resort Goa. It is themed in a Mexican setting set in tropical gardens that run to the beach of Mobar. The casino has 150 slots, American roulette and dice machines. There are also three restaurants and two bars.

WINNERS CASINO is housed in the Goa Marriott Hotel next to the Miramar Beach in Panaji. It includes American roulette, poker, blackjack and slots and is operated by Premier Leisure, India.

CHANCES CASINO GOA is located within the hotel on Vianguinim Valley Beach Resort. It houses a Sega Royal Ascot, American roulette, digital blackjack, classic blackjack, 35 slot machines.

LAS VEGAS GAMING CLUB is located at the Leela Kempinski Goa in the beach resort in Mobar. The resort include a 12 hole golf course with 152 rooms in suites or villas. The casino houses 20 slots plus an American roulette and Derby games. The Leela is a hotel and resort chain which operates hotel and resorts throughout India.

Meanwhile, Sikkim has become the second state in India to permit casinos and is now home to India's first land-based casino.

Sikkim is a landlocked Indian state nestled in the Himalayas and is the least populated state in India and the second smallest in area after Goa.

It borders Nepal in the west, Tibet in the north and east and Bhutan in the southeast. The region is however a popular tourist destination due to its culture, scenic beauty and biodiversity.

It is 7,096 sq.km and has a population of 540,493 and is the first post of entry into India from China.

Legend has it Buddhist saint Guru Rinpoche visited Sikkim in the 9th century and introduced the religion and foretold the era of the monarchy. For 150 years the kingdom saw frequent raids and territorial losses to Nepalese invaders.

It later allied itself with British rulers of India but was soon annexed by them. It later became a British protectorate and was merged with India following a referendum in 1975.

The official language in Sikkim is English although many do converse in Nepali and it is the only state in India with an ethnic Nepalese majority.

The state is divided into four districts with the main capital Gangtok and then nine sub divisions and eight towns. Dominating both legend and landscape is the mighty Kanchenjunga mountain, the third highest peak in the world.

In recent years there has been an annual increase of 20 per cent in the inflow of tourists to Sikkim.

At the moment the state is also having its first airport built. Currently the nearest airport is located 124 km away at Bagdogra in West Bengal. Pakyong Airport is scheduled to be completed in two years.

The state government has been working to attract more high-end domestic and foreign tourists for years.

Back in 2004 the Sikkim Government passed the Sikkim Casino Games Act and the rules regulating their operation were finalised in 2007 through the Sikkim Casino Games (Control and Taxes) Rules and the market opened up for investors.

The Sikkim Casino was opened in March 2009 and it is housed at the luxury 60 room Royal Plaza Hotel in Gangtok and

as such has become the only state to offer live casino facilities in India.

It is open from 6pm until 4am and features 10 slots, two roulette tables, one flush table, one baccarat and one blackjack table.

The casino is operated by Teesta Rangit Private Ltd, a promoter company of the hotel Royal Plaza who has hooked up with Kishore Silwal for technical expertise as he runs three casinos in Nepal.

The casino is open on a trial basis and Teesta was granted a provisional licence in November last year to enable the four star Royal Plaza to run the casino on its premises. A complete licence will be given to the hotel after it is fully classified as a five star hotel by the Ministry of Tourism which is part of the requirement for the casino licence.

The idea was to attract high-end domestic and foreign tourists whilst also collecting around INR15m (around US\$300,000) which is due to be paid by the hotel as taxes over the next five years. The state will receive 25 per cent of the stake money from the casino.

The annual licence fee of INR2m will automatically increase by INR500,000 over each of the next four years.

The hotel is part of the Park Sarovar Plaza group and is investing Rs70 crore over the next two years to expand the hotel to have a total of 126 rooms. The initial investment for the casino cost around US\$2m whilst a further US\$6m is due to be invested to move it to a bigger room in the next three months if the outlook is positive.

If all goes well it is thought other casinos could open in Sikkim. There are now seven applications for casinos in the Sikkim state pending with the government. There are also talks between the state and large scale real estate developers like DLF, regarding the possibility of building five star casino hotel resorts in Panthang, near Gangtok.

The land being eyed is around 12 acres and developers say if all goes ahead the project could be ready by 2010.

OTHER GAMING

India has an old age tradition in betting as it was one of the favourite pastimes of the emperors and kings of India.

There are no specific laws concerning online gambling in India as the government feels its current non-gambling laws are enough.



Of course it exists and it is thought that illegal sports betting amounts to well over US\$5bn a year in India whilst others say it could easily be as high as US\$40bn.

Sports betting has increased in popularity recently and is prevalent in sports such as horse racing, greyhound racing and football although betting on cricket matches in India is illegal.

However since cricket is one of the most popular sports in the country betting is naturally rife and has been a booming industry over the past 20 years.

Apparently 70 per cent of all illegal betting in cricket takes place in India whilst its neighbours Pakistan, Sri Lanka

There are now seven applications for casinos in the Sikkim state pending with the government. There are also talks between the state and large scale real estate developers like DLF, regarding the possibility of building five star casino hotel resorts in Panthang, near Gangtok.

and Bangladesh account for a significant remainder of the rest. Mumbai is known as the betting capital of the (underworld) betting sector.

Meanwhile Playwin is India's first and largest online lottery gaming company and is promoted by Pan India Network of the Essel group of companies.

It was the brainchild of Subhash Chandra, the man who gave India its first satellite channel, Zee TV, which now has around 350 million viewers across 120 countries. He is also the brains behind Asia's largest theme park, Essel World.

Playwin Games of Fortune are played via terminals and draws are conducted



through special draw machines which are completely automatic.

The draws are shown on television and the entire hardware and software has been provided by International Lottery and Totalizator Systems (ILTS) in the US

The games currently offered include Thunderball, Super Lotto, Keno, Joker and Joker 5. All of which can be played through retailer terminals, on the internet via myplaywin.com and through SMS.

The company saw a turnover of US\$55m for year 2006/07 and has created 75 jackpot winners.

On the non-gaming side, India boasts a

The online games market in India has been growing over the last few years with an increasing interest in internet cafes and broadband penetration.

large number of amusement parks including the highly popular Appu Ghar in New Delhi which offers four acres of water park alongside other park rides.

Other parks include Fun and Food Village in New Delhi, Fantasy Land in Mumbai, the largest water theme park in Asia Essel World in Mumbai, Kishkintha in Chennai, MGM Dizzy World children's amusement park, Bay Watch in Kanyakumari and Pearl Water Park in Bangalore.

The Indian amusement and leisure industry is estimated to grow by between 10 and 12 per cent per year until 2010 and is said to be worth Rs10,000 crore by 2020.

The online games market in India has been growing over the last few years with an increasing interest in internet cafes and broadband penetration.

It has always been watched by Korean publishers who view India as a potential multi million dollar market with its large and young population.

HISTORY

Stone age paintings are the earliest known traces of human life in India and the first known permanent settlements appeared over 9,000 years ago and developed into the Indus Valley Civilisation dating back to 3300BC.

This was followed by the Vedic period which laid the foundations of Hinduism and in the third century BCE most of South Asia was united into the Maurya Empire. After invasions from Central Asia between the 10th and 12th century much of North India came under the rule of the Delhi Sultanate and later the Mughal Empire.

Under Akbar the Great the country enjoyed cultural and economic progress as well as religious harmony and the Mughal emperors expanded their empires over the subcontinent. The dominant powers in north east India however were a major threat to Mughal power and came to a head in the 14th century.

From the 16th century European powers such as Portugal, Netherlands, France and the UK established trading posts and then colonies in the country. By 1856 most of India was under control of the British East India Company.

Challenges against this control failed and as a result of instability India was brought under the direct rule of the British Crown.

In the 20th century a nationwide struggle for independence was launched by the Indian National Congress and Mahatma Gandhi led millions in non-violent civil campaigns.

In August 1947 Indian gained independence from British rule but at the same time Muslim Majority areas were partitioned to form a separate state of Pakistan. In 1950 India became a republic and a new constitution came into effect.

Since independence the country has faced challenges and since the 1990s terrorist attacks have affected many Indian cities.

The country has unresolved territorial disputes with China which in 1962 escalated into the Sino-Indian War and with Pakistan which has resulted in several wars.

The Tokyo rush: gaming edition

One of the biggest gaming nations in the world continues to drag its feet over casino adoption, though sectors continue to flourish elsewhere

Japan is known as Nippon or Nihon on home turf and these two names are used for most official purposes and it literally means 'the sun's origin' and translated as the Land of the Rising Sun.

Japan comprises of 6,852 islands lying in the Pacific Ocean and the four largest islands, Honshu (the main island), Hokkaido, Kyushu and Shikoku, account for 97 per cent of Japan's total land area.

About 70 to 80 per cent of the country is made up of forested, mountainous and volcanic mass including Japan's highest peak, Mount Fuji.

Generally these areas are totally unsuitable for agriculture or residential use and this has resulted in a high population density in the coastal zones.

With almost 128 million people living in Japan the country has the world's tenth largest population and Tokyo is the largest metropolitan area in the world with over 30 million residents alone.

The country is made up of 47 prefectures which are each overseen by an elected governor, legislature and administrative bureaucracy. Each prefecture is then divided into cities, towns and villages.

Japan's culture has evolved from the original Jomon era whilst there are also influences from neighbouring Asian

Japan is probably the biggest gambling market in the world despite having virtually no legal gambling sector.

It sees around JP¥75 trillion per year in revenue from its leisure and entertainment sector which includes the state run lottery, Toto, the sports betting sector (horse, motorboat, bicycle and motorbike racing) and pachinko parlours. These are run under special laws to boost income for national and local governments.

countries, Europe and North America.

From ancient temples to futuristic cities and suit-clad businessmen to kimono-clad geisha, Japan's culture and heritage changes at every corner from historic to traditional to modern.

The tourism sector is growing and 2008 saw around 8.3 million tourists varying from city visitors to ski resort holidaymakers. The idea behind tourism really began to develop during the Meiji Restoration period when the national railroad network was built and tourism not only became more affordable but foreign visitors could also enter Japan.

In 1887 the government recognised the need to attract tourists and established the Kihinkai which was set up to coordinate the sectors whilst in 1907 publicly owned hotels began to open throughout Japan.

Today the largest number of visitors come from Korea followed by Taiwan, China, the US and Hong Kong.

After World War II a strong work ethic, government industry cooperation and high technology helped Japan to advance with extraordinary speed, and today Japan is a major economic power and has the second largest economy by nominal GDP and third largest in purchasing power parity after the US and China.



Two notable characteristics which saw Japan develop after the war include the close interlocking structure between manufacturer, supplier and distributor (known as Keiretsu) and the guarantee of lifetime employment for a substantial portion of the urban labour force. However both these features are now eroding under pressure of global competition and demographic changes.

Japan is the world's fourth largest exporter and sixth largest importer and is a developed country with high living standards. It is one of the leaders in the development of new environment friendly technologies and houses major industries including banking, insurance, real estate, retailing, transportation, telecommunications and construction.

After a recession in early 2000 the economy showed signs of recovery after 2005 but plummeted again in 2008. Today Japan's huge government debt and the ageing of the population are two major long term problems and debates continue on the role of and effects of reform of restructuring the economy.

In June this year the Japanese government announced there were some signs of recovery although the economy remained in a difficult situation.

The unemployment situation is worsening and the global economic crisis is also having an effect. The number of unemployed rose to 3.5 million (5 per cent) during the first quarter of 2009.

THE GAMING MARKET

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It sees around JP¥75 trillion per year in revenue from its leisure and entertainment sector which includes the state run lottery, Toto, the sports betting sector (horse, motorboat, bicycle and motorbike racing) and pachinko parlours. These are run under special laws to boost income for national and local governments.

Pachinko parlours are permitted and tolerated by the authorities on the basis that they are classed as 'semi-gambling' and are generally taxed and do not pay out money (technically).

Pachinko accounts for the largest share of the entire Japanese leisure and entertainment market. The sector employs some 350,000 people and commands almost 30 per cent (JP¥23 trillion) of Japan's JP¥75 trillion spent within the

leisure industry which include the sports sector (JP¥25.7 trillion), hobbies (JP¥10.7 trillion) and tourism (JP¥10.7 trillion).

It attracts around 15 million customers today (compared to 30 million in the mid 1990s) who spend some JP¥100,000 each per year on average on the games.

Pachinko and pachislo machine sales are worth around JP¥1,33 trillion a year of which pachinko has JP¥836.4bn of the market and pachislo JP¥495.2bn. Sales peaked in 1995 although there has been a decline in recent years.

Today there are around 13,585 pachinko halls (parlours) in Japan (12,039 with pachinko machines and 1,546 with pachislo machines) compared to 17,000 in 1996. Each parlour operates on average 300-350 machines. In total there are some 1.6 million pachislo machines in the market and 2.9 million pachinko machines.

The average Japanese player is said to lose US\$400 per year gambling and Japan has 10 times more gambling machines per capita than the US.

It's a reasonably closed shop however and despite being a meticulous society in many other ways Japan's gambling industry exists like a distant cousin. Operating somewhere between a fine legal and illegal line the government has not funded any research into the sector and operators are wary of questions.

Pachinko is a completely mesmerising game and smoky parlours are home to rows of machines, loud music and clattering ball sounds.

The parlours can be found on virtually every street corner near train stations in particular and they are garish and covered in neon signs and are not places for the faint hearted or casual player.

The Japanese are intense in their pachinko playing and serious gamblers (pachi-puro) often sit for hours in silence at their machines. Some say with the oppressive work life in Japan it gives many on the way home from work a chance to zone out and with the Japanese's love of gadgets seems to appeal to their mode of play.

Last year the National Police Agency reported 120 cases of violation of the betting laws with some 771 people arrested. The majority of cases were for pachinko slots, TV gaming machines and baccarat tables in illegal casinos or parlours. Many suggest that the statistics for these illegal operations is actually 10 times more those published by the NPA.



JAPAN: VITAL STATISTICS

Capital: Tokyo
Population: 127,078,679
Land Area: 377,835 sq.km
Median age: 44.2 years
Languages: Japanese
Currency: Yen (JP¥)
Government: Parliamentary government with a constitutional monarchy
Chief of State: Emperor Akihito (since 1989)
Head of Government: Prime Minister Taro Aso (since 2008)
Cabinet: Cabinet appointed by the prime minister

Pachinko/pachislos: 4.5 million machines
Gaming Arcades: 13,585 pachinko parlours
Pachinko Operators: 6,100
Gaming Revenue: JP¥23 trillion (pachinko only)

that Japan's first casino will be in the Okinawa Prefecture, the southern most island of the Japanese archipelago and the time frame will be late 2010-2011 and it will set up as an experimental track at an offshore production area.

"The political debate on securing revenues by state sales tax increases, which is included in the official paper by the current ruling party LDP, may provide a tailwind in the form of seeking substantial tax revenues.

"Another big concern at the moment is the business climate of the Pachinko-Pachislo industries. The industry consists of two sectors - manufacturers and hall operators. The top 10 manufacturers include a number of listed companies with an annual turnover of more than JP¥10bn whilst on the other hand top players of hall operators never become listed companies.

"This is simply due to the fact that the pachinko-pachislo operators are under the law regulating Adult Entertainment Businesses. Current status has its own historical and political background and when we talk about the casino era in Japan this will see big challenges in terms of acquired administrative rights, political and ethical advocates and pro and con on national debate for the deregulation. For my part I would like to be one of the first casino system evaluators here."

PACHINKO INDUSTRY

Pachinko machines were first built during the 1920s as a children's toy called Corinth Game based on an American game called Corinthian Bagatelle.

It emerged as an adult game in the 1930s. Although the parlours were closed during World War II they reappeared in the late 1940s.

The machine looks like a vertical pinball machine and the steel balls are fired into the machine falling through a maze of nail like pins. The idea is to get the balls to fall into certain pockets where they accumulate and more balls are then paid out as a jackpot.

In the 1960s slot machines were introduced to Japan from the US which were converted to the same size cabinet as pachinko machines and these became known as pachislo machines. These differed in that stop buttons also enabled the players to stop the rotating reel.

Up until 1980 the machines were mechanical devices and gravity fed and the only electricity used was for the flashing light when the player won. Manufacturers at this time included

Nishijin and Sankyo.

After 1980 pachinko machines began to include more electronic features and required electricity to operate. These machines had a round 'throttle' that controlled the speed of the entry of the balls rather than the flipper style used in the mechanical games.

There are three main types of machines - Hanemono (the easiest type to play), Deji-Pachi (digital pachinko) and Kenrimono (for the serious gamblers).

Games are played with cash or increasingly with prepaid cards and membership cards and players 'rent' a tray of small steel balls (resembling ball bearings). Each ball costs about JP¥4 although no serious player buys less than JP¥1,000 worth (US\$10) which will buy 250 balls.

Newer style Deji-Pachi (digital pachinko), which come with an LCD display in the centre showing an animation or jackpot are becoming more popular today. The objective is to get three numbers or symbols in a row for a jackpot.

Any balls which fall into the centre gate results in one spin of the slot machine and the maximum credit at any given time is four spins. Each spin traditionally pays out three balls.

The odds vary depending on machines from 1 in 40 to 1 in 480 and the average payout per jackpot is around 1,250 balls or JP¥5,000 worth.

After payout the pachinko machine will enter into the Kakuhen or Jitan system basically offering additional play improving the chances of winning a further jackpot.

Most machines have customised settings to pay out more balls or changeable mode lengths which can be adjusted by the operators. Computer settings are adjusted every few days and the professional players watch out for the big payers.

Win ratios are set by the government, however parlours often manipulate them by increasing jackpots to draw people back again whilst players with ingenious electronic devices tamper with the new digital machines.

Traditionally the balls are exchanged for prizes like washing powder, cigarettes or electronics and of course tokens which can then be cashed in at a nearby 'hole-in-the-wall' and are run by organised crime merchants. These tokens are then sold back to the parlour with their cut on top.

Meanwhile the ruling Liberal Democrat Party in Japan has been pushing for casinos and has opened up lines of communication with global gaming companies about the possibility of casinos in Japan.

The general idea is that casinos could be present in Japan after 2010 with the government hoping that legalising land based and online casinos will bring in extra revenue for its flailing tourism industry.

The talks include plans for one or more

The average Japanese player is said to lose US\$400 per year gambling and Japan has 10 times more gambling machines per capita than the US.

casinos in hotels along Tokyo's waterfront in Odaiba whilst other jurisdictions such as Osaka and Hiroshima have voiced their interest in casinos for their areas as well.

It is estimated that between JP¥50bn and JP¥120bn in tax revenue will be generated per year if six public casinos were to open in Odaiba. The opening of the casino sector would however bring a need to overhaul the regulations governing the pachinko industry.

Many opposing group are of course concerned with the problems associated

with gambling particularly fraud and organised crime. At the moment the majority of the illegal casinos are run by the Yakuza and are loosely operated on the same 'exchange-of-goods' principal as the pachinko parlours where casino chips are exchanged for cash at a nearby shop.

The casinos are primarily frequented by businessmen and foreigners are not permitted. The highest concentration of casinos are found in the Tokyo region.

Ken Watabe of Document Shop Ken's Services in Japan said: "My speculation is

At the moment the majority of illegal casinos are run by the Yakuza and are loosely operated on the same 'exchange-of-goods' principal as the pachinko parlours where casino chips are exchanged for cash at a nearby shop.

Pachinko of course has always had links with organised crime, specifically the Yakuza and of course when pachinko profits were siphoned off to North Korea's communist party in the 1980s.

In the past pachinko has always been controlled by the residents of Korean descent although today it is thought that 50 per cent of parlours are South Korean owned and 30-40 per cent North Korean with the remaining Japanese run.

An average pachinko parlour can take around US\$25m per year. Pachinko machines cost approximately JPY150,000 and are usually bought outright. A small parlour will have at least 100 machines and up to 500 plus in larger parlours.

However many smaller and medium sized slot halls are now being replaced by the larger halls which are being opened by major chains with substantial investment resources.

The machines are inspected by the Security Electronics and Communications Technology Association and the Public Safety Commission in each prefecture. They are then regulated by the National Police Agency through the regional police departments.

Regulation states that players must be at least 18 years old, stores must be closed from 11pm until 9am and customers cannot take out the pachinko balls hence why they 'rent' the balls to play the machines.

In 2004 the Entertainment Establishments Control Law of Japan which governs the pachinko machines was revised and since this time the market has been a little sluggish.

The main changes were to develop the machines more for entertainment value and special features were combined bringing about the creation of entirely new machines.

This process saw old format machines removed which were then gradually replaced with new format machines (Reg. 4 machines) followed by a further revision in 2007 which saw a further decline in players.

In 2008 a large number of pachislo machines were introduced into parlours to replace older models and seemed less appealing to players and numbers dropped from over two billion in 2006 to 1.6 billion.

It appears the long economic downturn has not stopped people playing pachinko although changing attitude and lifestyle



(Above) The Hakuba mountain resort in Japan is a popular holiday destination for skiers and hikers. It is currently the home of former gaming industry veteran, Steve Williams.

have left some parlours without a core customer base and they are now vying for new players. Many machines are often too complex for some players and some say the market has contracted by as much as 20 per cent in recent times.

The annual spending per player has been increasing however since the 1990s to around JPY23 trillion spent last year on these games.

In a bid to boost business some companies are investing heavily in advertising campaigns. Sankyo for example invested JPY16.3bn in 2008 on advertising and sales promotions – almost five times as much as the previous year.

The company has even employed actor Nicholas Cage to appear in TV ads for the Fever Pachinko brand whilst bars and cafes and new style parlours are also being introduced.

Popular machines are often based on TV series or movies and one of the greats was the Great Sea Story series produced by Sanyo Bussan whilst other popular

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series include Evangelion, Lupin the 3rd and Endless Love.

Meanwhile although many anti-smoking laws have been passed in Japan there have been discussions in parliament to extend the ban to pachinko parlours although as yet no legislation has been proposed.

MAIN COMPANIES

The main pachinko hall operators include PWI which operates large sized stores, Dynam Co Ltd with around 240 stores and Maruhan Co which has 243 stores and operates 148,261 slots and pachinko machines.

Maruhan which was established in 1957 is not only present in Japan with pachinko parlours, bowling alleys, amusement facilities and other leisure facilities but also invested in the Ponte 16 hotel casino in Macau and opened the Maruhan Japan Bank in Cambodia.

The five main manufacturers of pachinko machines between them control almost 77 per cent of the market and include

Sanyo (27%), Sankyo (24%), Kyoraku (16%), Heiwa (7%) and Newgin (5%).

The top five manufacturers of pachislo machines control almost 60 per cent of the market. Sammy is the largest manufacturer with 21.8 per cent followed by Yamasa, Aruze, Olympia and Kitac and Sankyo all with around 10 per cent market share each.

Sankyo Co Ltd was established in 1966 and is a leading pachinko machine manufacturer and in 1980 created the Fever-type machines which revolutionised the sector. Fever Natsumatsuri released in 2003 sold some 92,000 units whilst more recently Koda Kumi Fever Live in Hall introduced in 2007 saw sales of over 132,000 units whilst Neon Genesis Evangelion topped the 193,000 mark.

In 2008 the group saw net sales of US\$2.7bn (JPY280bn) and its pachinko business accounted for 77.7 per cent of net sales (JPY218bn) and saw some 726,000 pachinko machines sold last year.

The company sales of pachislo machines

accounts for 14.4 per cent of its net sales and the company sold 169,000 units last year.

The Aruze Group is a pachislo and pachinko machine manufacturer which was established in 1969 and today has offices in Tokyo, Las Vegas and the Philippines.

The group is also working on a casino resort project with Wynn Resorts for the Philippines market.

The company began under the name of Universal Lease Co and changed its name to Aruze Corporation in 1998.

Other companies involved in the pachislo and pachinko machine development include Sega Sammy Holdings – a merger between Sega Corporation and Sammy Corporation five years ago.

Based in Tokyo the company saw combined sales of JPY429,194m last year of which 37.7 per cent came from pachislo and pachinko machines and 16.6 per cent from amusement centre

operations and 14.4 per cent from amusement machine sales.

The pachislo/pachinko sector is the core business of the Sega Sammy Group which it first began developing for back in 1982. In 1995 the company achieved full scale entry in the Japanese pachinko market under the brands Sammy, Rodeo, Ginza and more recently Taiyo Elec.

Net sales from the pachislo and pachinko machine business last year came to JPY145.6bn down 31.2 per cent on the previous year. The company sold some 380,688 pachislo machines and had a market share of 21.8 per cent and some 108,184 pachinko machines with a market share of 3.4 per cent.

In 2006 the company's sales of amusement arcade machines reached JPY210.2bn in Japan with video games making up the largest share of that total at almost 24 per cent followed by medal games and then prize machines.

LOTTERY AND AMUSEMENTS

The first lotteries in Japan date back to the 1630s and were closed and revived and lasted until 1842 when they were banned completely.

Shortly before the end of World War II the lotteries were re-introduced to support the war effort and when the war ended the government began selling tickets under the name Takara-kuji (meaning fortune or treasure).

A year later local governments were permitted to organise the Takara-kuji lotteries and when the national government abandoned the lottery in 1954, 47 prefectures and 12 designated cities became the exclusive operators.

Today the Takara-kuji is well supported and profits from it has become an integral part of the local government budget whilst the Dai-Ichi Kangyo Bank operates the whole system.

There are six other main types of lottery including the All-Japan Lottery, the four-bloc lotteries, Local Medical Care Promotion Lotteries (or Rainbow lotteries) and the Event Lottery

Each lottery ticket is sold for JPY100-500 with top prizes of around JPY100m or more. The Takara-kuji law says that the entire prize pool for any lottery must be less than 50 per cent of total sales. The rest goes to the government and charity organisations.

Games include the Jumbo Takara-Kuji which started in 1979, instant lottery in 1984 and numbers in 1994, mini loto in



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1999 and Ioto 6 in 2000. Sales reached US\$10bn in 2007. One incentive to play is the game is totally tax free.

Meanwhile Toto is the Japanese version to the football pools which was introduced in 2001 and is held over weekly J-league games and is regulated by the government. Players can bet on the outcome of j-league games and the cash prize depends on the number of people who have bet.

Originally the government forecast high revenues and although initially there has been a decline since the 2002 FIFA world cup, football has grown in popularity. Tickets can be bought for as little as JPY100 (US80c) from some 6,000 shops around the country.

Traditionally Sumo is considered Japan's national sport followed by martial arts such as judo and karate. Many western sports have begun to spread however and today baseball is the most popular spectator sport in the country after the professional baseball league in Japan was established in 1936.

The Japan Professional Football League was set up in 1992 and since then has gained a wide following whilst golf and motor racing are also popular.

Public sports can be bet on by the Japanese and there are four different types which are government run including horse racing, bicycle racing, motorboat racing and motorcycle racing.

The prize pool for the gamblers of these races is about 75-80 per cent of total sales and betting tickets can be bought at ticket booths within the cities or at the circuit.

The horse racing sector is government run via the Japan Racing Association and is three times bigger than any other horseracing business in the world with almost US\$30bn wagered every year.

The first western style horse races were held back in 1862 and today around 7.5 million attend horse races as spectators

All these sports then support various organisations including the controversial Nippon Foundation which receives more than three per cent of the motorboat racing revenues.

Nippon was founded by Ryoichi Sasakawa, a fascist politician and war criminal, who established motorboat racing in Japan in the early 1950s eventually persuading the government to earmark more than three per cent of revenues for a foundation he controlled.



Over the next 35 years he used Nippon for good works and self promotion including scholarships and charities and when he died it was passed onto novelist Ayako Sono to chair the foundation.

On the illegal front the country tolerates the multibillion dollar grey market in Mahjong and ignores illegal wagers on sumo and high school baseball and of course the numerous casinos found in the big city.

Online gaming is also illegal in Japan even though the country has one of the biggest markets for online casinos.

Meanwhile Japan is of course home to the amusement game and home video game development industry with the main key companies located or born here.

The industry is in decline and in Japan

On the illegal front the country tolerates the multibillion dollar grey market in Mahjong and ignores illegal wagers on sumo and high school baseball and of course the numerous casinos found in the big city.

amusement operations are being driven by locations in large shopping centres and it is reported there are currently just over 9,000 amusement centres in total in Japan.

The net sales of the Japanese amusement machine market came to around JPY223 trillion in 2006 whilst net sales from amusement centre operations reached JPY702 trillion. In comparison the home video game market is worth around JPY2.934 trillion.

Home grown amusement manufacturers include Sega Sammy, Konami, Namco Bandai and Capcom.

Capcom began operating in Japan in 1979 as a manufacturer and distributor of electronic game machines and today has offices in Tokyo, Osaka, California, UK, Germany and Hong Kong.



The group operates 42 amusement centres called Plaza Capcom in Japan and saw net sales of JPY13,406m last year with nine centres opening last year.

Meanwhile Capcom saw JPY6,574m in net sales for its arcade game sector which include prize winning games and coin operated games.

Namco and Bandai joined together in 2005 and the company now comprises of four business groups – toys and hobby, game content, visual and music content and amusement facilities.

The company saw total net sales in 2008 of US\$4.5bn and gross profits of US\$1.6bn. Japan is responsible for 75 per cent of these net sales with the remaining divided between America, Europe and other parts of Asia.

The amusement facility sector saw total net sales of JPY89.8bn. The growth is sluggish and the company planned by March 2009 to open 12 Japanese facilities but closed 69 in a bid to bolster revenues and profits.

At the moment the group has a total of

The amusement industry is in decline and in Japan amusement operations are being driven by locations in large shopping centres and it is reported there are currently just over 9,000 amusement centres in total in Japan.

381 amusement facilities in Japan including five theme parks. Namco Wonder Park Hero's Base is one large scale amusement facility which has seen success and since it opened has attracted 3.7 million visitors.

Konami was established in 1973 in Osaka as the manufacturer of amusement machines for arcades. Today the group produces video and computer games and gaming and casino systems for the worldwide market whilst the group's subsidiary KPE Inc produces pachinko slot machines and LCD units for the pachinko market.

The group saw consolidated net revenues of JPY309.8bn which was led by the digital entertainment sector

Meanwhile Japan's online games market has increased in value by 42 per cent and is now worth around US\$900m per year.

HISTORY

The first signs of occupation in the Japanese island appeared around 30,000BC with a Paleolithic culture followed by the Jomon period around 14,000 BC.

When the Yayoi period began in the third century BC the arrival of wet-rice farming, pottery, iron and bronze making was also introduced by the migrants from China and Korea.

During the eighth century the Nara period marked the emergence of a strong central Japanese state centred on an imperial court in the city whilst the ruling class warriors, Samurai, made their mark in the early 12th century.

In the 16th century traders and Jesuit missionaries from Portugal reached Japan for the first time and initiated active commercial and cultural exchange between Japan and the west.

At the time Japan was in the middle of its century long civil war (Onin War) which began in 1467 and eventually ended in 1598 following defeats by Korean and Ming China forces and Hideyoshi's death.

In 1603 a military dictatorship saw Japan face a period of isolation from foreign influence in order to secure its power. This lasted two centuries but enabled Japan to enjoy stability and develop its indigenous culture.

In 1854 the US navy forced the opening of Japan to the outside world with the Convention of Kanagawa which saw Japan open its ports and modernise and industrialise.

This led to the Boshin War and the establishment of a centralised state and the country adopted western ideals and assembled the Imperial Diet and Meiji Constitution which transformed Japan into an industrialised world power.

After victories in several wars, World War I enabled Japan to join the side of the victorious Allies and expand its influence and territorial holdings. However when the US placed an oil embargo on Japan the Japanese attacked the US naval base Pearl Harbour and declared war bringing the US into World War II.

Japan eventually agreed to an unconditional surrender and the war cost Japan millions of lives and a destroyed infrastructure and industry.

Millions of ethnic Japanese were repatriated throughout Asia and in 1947 the country adopted a new pacifist constitution. Japan was granted membership to the UN in 1956.

Since then Japan has achieved tremendous growth and has become the second largest economy in the world ending in the mid 1990s when it suffered a major recession.



Macau: Chinese cauldron

International operators may have only recently awakened the world to the gaming phenomenon that is Macau, but in Chinese terms, it's still early days

Essentially Macau has changed from a sleepy Portuguese fishing village to an over populated, subtropical, totally urban, neon lit peninsula on the edge of China.

And just as Vegas evolved from the desert, Macau has recently emerged from the sea as one of the top gambling destinations in the world.

Macau was originally an island, but a connecting sandbar in the 17th century gradually turned it into a narrow strip of land connecting it to the Guangdong province of China in the north and therefore changed Macau into a peninsula.

The South China Sea surrounds Macau to the east and south and on the west the Zijiang (West River) separates it from mainland China. Macau also includes the

Macau is the most densely populated region in the world with around 95 per cent Chinese and another two per cent Macanese (an ethnic group of mixed Chinese/Portuguese descent).

islands of Taipa and Coloane, which are both connected together by an area of land reclaimed from the sea now known as Cotai. The two islands are joined to Macau peninsula by three bridges.

Macau is generally made up of flat terrain with a dense urban environment and no arable land, pastures or woodlands. There are, however, breathtakingly beautiful sandy beaches, whilst the two islands offer a more tranquil setting than the city.

Macau is the most densely populated region in the world with around 95 per cent Chinese and another two per cent Macanese (an ethnic group of mixed Chinese/Portuguese descent).

It has one of the lowest birth rates in the world and relies heavily on immigrants from mainland China and overseas

workers, which often serve within the tourist and gaming sectors.

It has thriving textile, financial, electronics and toy industries and a notable tourist industry and is one of the richest cities in the world.

Macau is ranked 21st in terms of tourist arrivals and saw more than 27 million visitors in 2007 compared to just 9.1 million back in 2000. More than 55 per cent of arrivals are from mainland China, whilst another 30 per cent arrive from Hong Kong. Hong Kong is only 37 miles away and less than one hour on the ferry.

Macau is justifiably known as the City of Culture with its museums, sculptures and architecture attracting many tourists. However, as the only place in China where casinos are legal, Macau predominantly known as Oriental Las Vegas or the Monte Carlo of the Orient.

The gaming, tourism and hospitality industry is estimated to contribute more than 40 per cent of Macau's GDP and 70 per cent of Macau's government revenue.

The region has overtaken Las Vegas in

terms of gaming revenue and looks set to put China on the map as the world's second-largest global gaming jurisdiction after the US.

Since 1999 there has been a huge increase in the number of visitors since Beijing eased its travel restrictions on Chinese tourists from dozens of cities, coupled with the liberalisation of the gaming industry in 2001.

However, due to the thriving tourist sector and new casino resorts opening, there are now labour shortages and the government has had to import labour from neighbouring regions.

The number of imported labour stands at a record high (Q2 2008) of 98,505, which represents more than a quarter of the labour force in Macau.

Meanwhile, 2009 will see four major events for the country. In the political arena, Macau will see the election of a new Chief Executive and the election of a new legislative assembly (end July) whilst the country will also celebrate the 60th anniversary of the establishment of the People's Republic of China and the 10th

anniversary of Macau's return to Chinese sovereignty. These events are expected to drive further growth and development in Macau.

GAMBLING BACKGROUND

Macau's gaming history can be traced back to the 16th century when Macau first opened its harbour to visitors and construction workers emigrating from the mainland.

At the time there was no regulation and gambling stalls were set up in the streets and were often operated by bankers themselves.

When Hong Kong's sovereignty was handed to the British in 1842, Macau's importance as a trading port was replaced by Hong Kong and in a bid to generate revenue the Macau Portuguese government legalised gaming in 1847.

However, at the time only Chinese games (Fan-tan) were played and the government introduced a licensing system for the 200 or so Fan-tan (gambling) houses which began to open.

In 1930, the Hou Heng Company won the

The number of imported labour stands at a record high (Q2 2008) of 98,505, which represents more than a quarter of the labour force in Macau.

monopoly concession for casino game operation and the company began to operate its casino from the Central Hotel and then Victoria Cinema and as such rejuvenated the industry into a 'real' business.

In 1937, the gaming industry underwent some changes and the government passed a decree law to integrate different games.

The casino monopoly concession was granted to the Tai Heng Company who converted the New Central Hotel into its flagship casino and introduced baccarat and new western style games.

In 1961, before the Tai Heng monopoly had expired, the governor at the time, Marques, decided to liberalise gaming and opened the market for public bidding.

Two companies entered the bid - Tai Heng and a new company set up by a group of Hong Kong and Macau businessmen called Sociedade de Turismo e Diversoes de Macau (STDM). The monopoly right to all forms of gambling (including some lotteries) was won by STDM.

STDM is a syndicate founded in 1962 by Stanley Ho and his then partners Teddy Yip (Stanley Ho's brother-in-law), Yip Hon and Henry Fok.

The first casino, Estoril, opened in 1962, whilst the company's flagship Lisboa Hotel opened in 1970. STDM introduced western style games and modernised the marine transport system between Macau and Hong Kong and the country began to see millions of gamblers arriving from Hong Kong every year.

With 11 casinos owned at that time, Ho controlled 70 per cent of the gambling market beside the soccer and horse racing industry.

The STDM licence to operate was extended in 1986 for another 15 years, but expired at the end of 2001.

After years of discussions, Chief Executive Edmund Ho Hau Wah began to look at the gaming sector and conducted a series of studies and in 2000 formed the Macao Gaming Committee and in 2001 introduced the law 16/2001.

The new law stated that gambling operations should be granted to three gaming concessions in an effort to "inject new dynamics into the gaming industry" and open up the sector to another tender process.

There were a total of 21 bidding proposals of which three were disqualified with insufficient documents. Finally, in February 2002, the three concessions were granted to Sociedade de Jogos de Macau (a subsidiary of STDM), Wynn Resorts and Galaxy Entertainment Group, who each received their own concessionaire contracts.

These three companies were then permitted (subject to government approval) to grant one 20 year sub-concession to other gaming operators, whilst the government agreed that it would not grant any additional concessions before April 2009 (during the current government leadership)

The other three concessions were given to Las Vegas Sands (from Galaxy), MGM Mirage/Pansy Ho Chiu-King (from SJM) and Melco Crown (from Wynn Resorts).

This not only opened the gambling market to competition and increased government tax revenues significantly, but it also attracted more tourists to Macau.

In May 2004, the Venetian Casino Sands opened, which became the first ever gaming investment project developed by an American company in Asia. The same



year Galaxy's Casino Waldo also commenced operations.

The sub-concessions came with a price however. For instance, Melco Crown Gaming paid US\$900m to Wynn Macau for its sub-concession.

Under the sub-concession contract, Melco was then required to make a minimum investment of MOP4bn (US\$499.2m) including investment to develop Crown Macau (Subsequently the Altea) and City of Dreams projects by 2010.

Wynn Macau leases the 16 acre site where Wynn Macau resort is located. The land concession contract runs for 25 years although it may be renewed. For this land Wynn Macau will pay via instalments a total concession premium of around US\$40m (plus interest).

Meanwhile, the government owns most of the land in Macau and although there are some private interests in real estate property these are more often than not obtained through long term leases or grants of rights to use the land.

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interest) as well as annual rents of around US\$398,000.

Meanwhile, the Law 16/2001 is controlled by the Gaming Inspection and Coordination Bureau (known as DICJ), which provides assistance to the Chief Executive of Macao SAR on gaming activities.

Each concessionaire has its own gaming contract which includes the following:

- Only concessionaires and sub-

When completed the Cotai strip will include 20,000 guest rooms in 14 hotels, not to mention three million square feet of shopping at the Grand Canal Shoppes and 25,000 seats for live entertainment.

concessionaires are permitted to operate casinos in Macau and concession period must not exceed 20 years (though this can be extended by five years)

- Under the Law and Administrative Regulations, the concessionaires are subject to suitability checks relating to their background as are stockholders of more than five per cent.
- Each concessionaire must engage an executive director who is a permanent resident of Macau and the holder of at

least 10 per cent of the capital stock of the concessionaire.

- Concessionaires must have a capital of not less than MOP200m.
- The concessionaires pay an annual premium to Macao Special Administrative Region during the licence term which is MOP30m.
- Meanwhile concessionaires pay an annual sum of MOP300,000 for each (VIP) gaming table, MOP150,000 for each (non VIP) gaming table and MOP1,000 for each slot.
- Concessionaires must pay a special gaming tax of 35 per cent of gross gaming revenue and must also make an annual contribution of 1.6% of gross income to a public foundation promoting education, culture, charity activities etc plus 2.4% of gross income for developing tourism and urban construction. Plus the government may add up to the limit of 1.2% of gross revenue to be paid to additional projects.
- Junket operators must be licensed in Macau in order to do business and will be accepted subject to suitability checks.
- The Macau government can designate a maximum number of games promoters and specify the number of games promoters a concessionaire can engage.
- Concessionaires contracts can be terminated by the government if they are not fulfilled correctly and the government can also assume temporary control of the operations under certain circumstances.
- Concessionaires must reserve MOP700m guarantee for the first five years followed by MOP300m thereafter.

By the end of 2008 there were 31 casinos in Macau of which 22 were on the peninsula with nine casinos located on Taipa Island.

There are also a total of 11 slot lounges of which four are operated by SJM and seven (Mocha Clubs) are operated by Melco Crown.

The appeal of slots is increasing in Macau though table games (particularly baccarat) still dominate casino revenue (94-5 per cent as opposed to 5-6 per cent of slots). Linked progressives have also been tremendously successful in Macau.

At the moment the big hype is the Cotai Strip development, which is expected to



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take Macau into a new gaming era even though construction of most hotel/casino projects ground to a halt at the end of last year due to the economic climate.

The Cotai Strip is located between the island of Coloane and Taipa and is the name of a casino and tourism project in the district of the same name.

It comprises of a collection of hotel properties to be run by the most prestigious names in the business and is inspired by the Las Vegas Strip.

Las Vegas Sands is behind the scheme and is the main developer of the strip with the largest chunk of space in the resort. The company plans to build seven

Sands employs around 20,000 people in Macau and says it would like to trim that to 17,000. This is among other cost cutting exercises in a bid to raise the funds to finish the strip developments especially in light of competition from Melco's City of Dreams project, which opened its Hard Rock Hotel in June this year with the second phase due to be completed by the end of the year.

resort hotels and casinos in the area which include the Venetian Macau and Four Seasons, plus others such as Intercontinental, Sheraton, St Regis, Conrad and Raffles.

When completed the Cotai strip will include 20,000 guest rooms in 14 hotels, not to mention three million square feet of shopping at the Grand Canal Shoppes and 25,000 seats for live entertainment.

The debut hotel in this area was the Grand Waldo, although the Venetian Macao, which opened in 2007 marked the real start to the Cotai Strip development, and was followed a year later by The Shoppes at Four Seasons and the 360 room at the Four Seasons Hotel.



However, recently, due to the economic climate, there have been some changes to the development plans and some projects have been suspended. In May this year Las Vegas Sands' new president Michael Leven said the company was planning to eliminate some 4,000 jobs in its Macau casinos.

This was aimed at bringing operations to their 'right size'. Leven had already stabilised the company's efforts at the two 'strip' casinos and was now employing a similar strategy at the Macau casinos.

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GROWTH OF GAMING

The end of 2007 and into 2008 saw a huge growth spurt in the number of new casinos opening and the supply of gaming tables alone increased by some 41 per

cent in 2008. According to Macau Statistical Information, casinos in Macau generated around US\$13.6bn (MOP108,772bn) in gaming revenue in 2008, a staggering 31 per cent increase on 2007 figures of US\$10.4bn. (see table A on the next page).

This is a huge amount compared to other sectors of the gaming and lottery industries in Macau (see table B).

This makes Macau the largest gaming market in the world, surpassing The Vegas Strip, which in comparison saw gaming revenues of US\$6bn in 2008.

The market has seen tremendous growth over the last few years and at the end of 2008 there were almost 17,500 hotel rooms and some 4,000 gaming tables in Macau compared to almost 13,000 rooms and 2,760 gaming tables in 2006.

The number of slot machines increased by 64 per cent from 8,234 to 13,552 at its peak, but ending the year at 11,856 (an increase of 44 per cent).

Mass gaming revenue was up 24 per cent year-on-year, whilst visitor volumes to

Macau grew by 12 per cent to 30 million (see table C).

Though many forms of gambling are legal, the most popular game is, of course, baccarat, which historically has accounted for more than 90 per cent of all gaming revenues generated in Macau (see table A).

There are two distinct forms of baccarat which exist in Macau - rolling chip baccarat and non-rolling chip baccarat. Under rolling chip (often referred to as VIP segment) rules a players will generally require credit in order to be able to buy into non-negotiable rolling chips and will earn a rebate derived from the volume of roll that the patron generates. The rebate has the effect of reducing the house advantage that exists in favour of the casino on baccarat.

Non-rolling (or traditional cash chip) basis does not provide the patron with a rebate based on volume of play or provision of credit. The majority of rolling chip baccarat is generated by junket players.

The Macau industry relies heavily on

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junkets. Melco Crown (now the Altira) for instance has increased its number of gaming promoters due to the increase in casino competition and currently has agreements with around 26 gaming promoters plus sales and marketing staff in Thailand, China, Hong Kong, Malaysia and Singapore to mention a few.

Melco/Crown's annual report says: "If we are unable to utilise and develop relationships with gaming promoters, our ability to grow our gaming revenues will be hampered and we will have to seek alternative ways to develop and maintain relationships with rolling chip patrons, which may not be as profitable as relationships developed through gaming promoters."

A large portion of the growth was seen during the first six months of last year and was fuelled by a large infusion of credit into the VIP segment of the market and in truth, is not expected to be sustainable in the longer term.

Subsequently, commission payments to VIP junkets increased and lowered the margins to casinos. This has since led to a meeting and the possibility of a cap on commission payments being introduced.

As a result of the growth in June 2008, the Chinese government implemented travel restrictions to the slow the rate of growth down to "enable infrastructure to meet real market demand."

Players traditionally travel from Hong Kong, mainland China, Taiwan, South Korea and Japan to play in Macau and some 90 per cent of tourists who visited Macau in 2008 came from China, Hong Kong and Taiwan.

An international airport was opened in 1995 making access to Macau from neighbouring countries much easier and by the end of 2009 the Barrier Gate will be expanded and a second ferry terminal will open.

Also by 2010 the Guangzhou-Zhuhai High Speed Railway is expected to be completed which will see travellers from the Guangdong region reach Macau in just under one hour.

The government is also supporting the construction of the HK\$70bn Hong Kong-Zhuhai-Macau bridge.

However on the downside the global recession coupled with China's decision to limit the amount of times citizens could travel to Macau to gamble has all had a very negative affect on the gaming sector in Macau recently and things are no longer looking as rosy as they were

GAMING STATISTICS IN MACAU
TABLE A - GROWTH OF GROSS REVENUE OF GAMES OF FORTUNE AND TOP FIVE GAMES TYPES WITHIN THAT SECTOR (REVENUE)

	2005	2006	2007	2008	2009 (Q1)
	MOP46,047m	MOP56,623m	MOP83,022m	MOP108,772m	MOP26,019m
	MOP28,864m	MOP36,783m	MOP55,762m	MOP73,772m	MOP16,828m
Baccarat	MOP9,929m	MOP11,526m	MOP16,211m	MOP21,052m	MOP5,804m
Slot machines	MOP1,250m	MOP2,053m	MOP3,594m	MOP5,653m	MOP1,533m
Cussec	MOP1,526m	MOP1,923m	MOP2,755m	MOP3,043m	MOP687m
Black Jack	MOP1,459m	MOP1,622m	MOP1,917m	MOP2,247m	MOP489m

*Games of Fortune include all gaming from tables games, slots, pachinko, poker etc (not parimutuels and lotteries)

TABLE B - GROSS REVENUE FROM DIFFERENT GAMING ACTIVITIES OVER LAST FIVE YEARS.

Game types	2005	2006	2007	2008	2009 (Q1)
Games of Fortune	MOP 46,047m	MOP56,623m	MOP83,022m	MOP108,772m	MOP26,019m
Greyhound racing	MOP67m	MOP67m	MOP98m	MOP186m	MOP45m
Horse racing	MOP636m	MOP437m	MOP403m	MOP501m	MOP90m
Chinese Lottery	MOP7m	MOP7m	MOP6m	MOP6m	MOP2m
Sports Lottery-Football	MOP333m	MOP327m	MOP273m	MOP304m	MOP72m
Sports Lottery-Basketball	MOP44m	MOP60m	MOP44m	MOP57m	MOP25m

TABLE C - GROWTH OF CASINO SECTOR, CONCESSIONAIRES AND SLOTS AND GAMING TABLE FIGURES.

Number of:	2005	2006	2007	2008	2009 (Q1)
casinos (TOTAL)	17	24	28	31	31
SJM	15	17	18	19	19
Galaxy	1	5	5	5	5
Venetian Macau	1	1	2	3	3
Wynn Resorts	0	1	1	1	1
Melco Crown	0	0	1	2	2
MGM Grand	0	0	1	1	1
Gaming tables	1,388	2,762	4,375	4,017	3,988
Slots	3,421	6,546	13,267	11,856	11,971



some 12 months ago.

The end of 2008 saw the arrival of the economy slowdown and this, together with other adverse affects, has seen some companies experience a tough year with many now making cut backs and also halting some developments.

The economy in China saw a decline in growth whilst adjustments were made to the visa policy in 2008 restricting the frequency of visitation for Chinese travellers in order to stem outflows of

cash. In addition many companies had to start paying increased commissions to junkets to remain competitive.

However, although Chief Executive Edmund Ho outlined a number of measures in his policy address last year to help residents and small businesses, he said he would not offer support for the gaming sector.

Mr Ho said he would not cut the 39 per cent tax on gaming revenues nor would his administration support casino

investors in trouble.

It seems this will appease the many middle class group in Macau who are unhappy at the gaming growth in their country saying it has led to students dropping out of school to become croupiers whilst residents are being priced out of the local property market.

Meanwhile the government announced its intention to raise age limit from 18 to 21 for casinos, which the gaming board supports, whilst there is the possibility of

restrictions on the ability to open slot lounges such as Mocha Clubs in residential areas and this may affect operators finding new sites for operation.

In addition Macau gaming operators are restricted in accepting wagers in Renminbi, the currency of China, and there are some restrictions on the export of the currency outside of mainland China. Some feel this may impede the flow of customers from China to Macau.

Of course tales of corruption and crime are also ripe in Macau. In January 2008 Former Secretary for Transport and Public Works Mr Ao Man-Long was sentenced to 27 years in prison for charges of corruption and money laundering.

Those connected to Mr Ao were related to local companies who had granted land permissions for development and there are still some problems now regarding these approvals.

Elections for a new Chief Executive are due to be held on July 26th and ex-Minister Fernando Chui has now emerged as Macau's sole candidate after gaining overwhelming support from the election committee.

Although it is thought that Chui will not drastically change any gaming policies there are expected to be some added regulations particularly for the junket operations. Some say that Chui could also be under pressure to lower the 39 per cent tax rate to boost casino margins and improve competitiveness with the likes of Singapore.

A spokesperson from the DICJ said: "Since the making of gaming legislation is going to be the task of the new government we are uncertain as yet what changes will be brought about after the election. However we believe that the changes will be moderate rather than dramatic since the government wants to stabilise the gaming industry."

THE OPERATORS
SJM HOLDINGS (19 CASINOS)

Stanley Ho was born in Hong Kong into the Ho Tung family, one of the most powerful and influential families in Hong Kong at the time, and was the 9th born of 13 children.

Story has it his father, Ho Sai Kwong, lost a vast sum of money in the stock market crash when Stanley was 13 and consequently he abandoned his family and fled to Vietnam, whilst two of Ho's elder brothers committed suicide.

He went to college and was granted a scholarship to university and learnt

The economy in China saw a decline in growth whilst adjustments were made to the visa policy in 2008 restricting the frequency of visitation for Chinese travellers in order to stem outflows of cash.



English, Japanese and Portuguese.

He began work at an import export firm in Macau and quickly became a partner at the age of 22. He made his first fortune smuggling luxury goods across the Chinese border from Macau during World War II.

He set up a kerosene company in 1943 in the construction industry and made a huge amount of money as Hong Kong grew rapidly at that time.

With his partners Henry Fok (Hong Kong tycoon), Yip Hon (Macau gambler) and his brother in law Teddy Yip, Ho then won the public tender for Macau's gaming monopoly and in 1961 the company was renamed STDM with the opening of its flagship location, Lisboa Casino. In the same year he set up Shun Tak Holdings.

Meanwhile STDM is also active in recreation, hotel and catering, property development, banking, retailing and also has a 37 per cent interest in Macau's new airport and interests in the new ferry terminal. STDM saw profits of around \$229m whilst business interests also include:

"Whilst the growth of Macau's gaming industry has been interrupted by the general weakening of the global economy and the tightening of visa restrictions, we remain confident in SJM Holdings' ability to adapt and grow."

Dr. Amrose So, Chief Executive Officer, SJM.

Western resorts gold and country club - the only resort with an 18 hole golf course in the vicinity of Hong Kong and Macau; Macau Tower- owned by STDM and operated by Shun Tak Holdings. The tower opened in 2001 and is 338.8m high and is the 10th tallest tower in the world and 8th tallest in Asia.

Nam Van lakes - construction began in 1992 and this is a 16 million sq.ft development of land reclamation which will enlarge Macau's land mass by 20 per cent.

Macau Jockey Club and Canidrome greyhound race track; Slot - a lotteries franchise monopoly granted by government to provide soccer and basketball betting; Pachinko - a government approved operation of pachinko (apart from originator in Japan) and hopping plaza New Yaohan which is the largest department store in Macau.

SJM Holdings Limited is the holding company of Sociedade de Jogos de Macau and the STDM subsidiary which operates the casinos.

The SJM casinos are located on the Macau Peninsula and Taipa Island and today there are 19 licensed casinos,

although four are currently not operating. The casinos are: GRAND LISBOA, CASINO LISBOA, CASINO PONTE 16, CASINO BABYLON, CASINO CASA REAL, CASINO DIAMOND, CASINO FORTUNA, CASINO GOLDEN DRAGON, CASINO JAI ALAI, CASINO JIMEI (formerly known as Casino Oriental), CASINO KAM PEK PARADISE, CASINO MACAU JOCKEY CLUB, CASINO NEW CENTURY, CLUB VIP LEGEND, CASINO EMPEROR PALACE, CASINO KINGSWAY (not operating), CASINO MACAU PALACE (not operating), CASINO TAIPA (not operating), CASINO MARINA (not operating).

SJM also operates four slot machine lounges: Macau Jockey Club Slot Lounge, Tiger Slot Lounge, Winners Bar Slot Lounge and Yat Yuen Canidrome Slot Lounge. Additionally, and more recently, SJM also owns the new Grand Lisboa Hotel which opened in December 2008.

The five star Grand Hotel Lisboa and Casino is the second hotel to bear the Lisboa name under the Ho banner and has 430 rooms and suites.

The company operates a total of 3,719 slots and 1,385 gaming tables via its casino operations (1,818 mass market

gaming tables and 204 VIP gaming tables).

SJM Holdings saw gaming revenues of HK\$27,992.4m for the year 2008 compared to HK\$32,146.6m in 2007. SJM says 40 per cent of its revenue came from mass market table gaming

The decrease was blamed on the general economic conditions and specifically gaming revenue losses were affected by a decline in VIP gaming revenue, caused by reduced VIP chips purchases due to the economic climate.

Meanwhile the group's start up costs and operating loss of the joint venture Ponte 16 development and start up costs for Grand Lisboa Hotel have also caused some losses.

Dr Amrose So, Chief Executive Officer of SJM said: "Whilst the growth of Macau's gaming industry has been interrupted by the general weakening of the global economy and the tightening of visa restrictions, we remain confident in SJM Holdings' ability to adapt and grow."

The company is also planning two new developments. The Casino Oceanus is expected to be completed in November

2009 with 300 tables and 600 slots plus the Casino L'Arc is due for completion in September 2009 with 153 tables and 420 slots.

WYNN RESORTS (1 CASINO)

Wynn Resorts Limited was formed in 2002 in Nevada by Stephen Wynn and incorporates Wynn Las Vegas, Wynn Macau and Wynn Encore Las Vegas.

Wynn Las Vegas (opened 2005) and Encore Las Vegas, which is located adjacent to Wynn Las Vegas, opened in 2008.

Wynn Macau opened in September 2006 and the casino resort features a hotel of 600 rooms and suites, a 205,000 sq.ft casino, five restaurants, retail outlets, health club, pool, spa and lounges.

The casino features 370 table games and around 1,250 slot machines and a poker room. In 2008 the Wynn Macau was the only hotel in Macau and one of five in Asia to receive the Mobil five star distinction.

The 20 year concession (granted in 2002) conditions stipulated that Wynn Macau must open at least one gaming property by the end of 2006 and invest a minimum of US\$500m by 2009. This was completed as was a US\$87m bank guarantee which was later reduced to US\$37m.

The company is currently constructing a new Encore site at Wynn Macau which will extend the current resort and will include a new resort hotel with 400 rooms and four villas together with retail space and additional VIP gaming space. The project is costing around US\$700m and is due to be opened in 2010.

The company also controls around 54 acres of land in the northern quarters of the Cotai Strip.

Wynn's operational results for 2008 show a net income of MOP15.2bn, a 35 per cent increase on 2007 results. The gross revenue of gaming tables grew to MOP5bn whilst VIP table revenue was approximately MOP444.5b

GALAXY CASINO COMPANY LIMITED (5 CASINOS)

Galaxy Entertainment Group Limited, via its subsidiary Galaxy Casino SA was awarded a casino concession in June 2002 and is run by Hong Kong businessman Lui Che Woo and a group of Hong Kong investors.

The group today operates four CityClub branded casinos in Macau and one luxury five star casino (StarWorld) and has a market share of around 13 per cent.

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The group opened its first casino, the Waldo Hotel and Casino on the peninsula in 2004 followed by the Rio Casino in February 2006, President Casino in April 2006 and the Grand Waldo in May 2006 which is also the company's first operation in Cotai. In October 2006 the company opened its flagship casino, the Galaxy StarWorld Hotel Casino (adjacent to Wynn Macau).

StarWorld is located near to Macau's ferry terminal and heliport and just 10 minutes for the airport. The casino features over 240 tables and 500 slots and underwent some major refurbishment and reorganisation last year. StarWorld saw total revenues of HK\$7.1m in 2008

The company is currently constructing Galaxy Macau in Cotai and will be located on 106 acres of land and situated near to the Lotus Bridge border crossing that feeds the Chinese mainland.

The resort will include three hotels in the initial stage housed in two towers with a total of 2,500 rooms and its own beach and wave pool.

The five star casino in Tower One will be operated by Galaxy whilst the two other hotels in Tower Two will be managed by Japanese group Okura and resort company Banyan Tree.

Meanwhile the new Galaxy Macau casino will have a capacity for 700 gaming tables and 4,000 slots. Initially planned to open in 2008, the economic climate has led the company to continue with the construction but at a slower pace.

Galaxy group revenue was HK\$10,497m (US\$1,354m) in 2008 whilst EBITDA was HK\$544m.

VENETIAN MACAU (3 CASINOS)

Las Vegas Sands is a hotel, gaming and resort development company headquartered in Las Vegas.

This company via its subsidiary, Venetian Macau, is the sub-concessionaire of Galaxy whilst the US company is the owner and operator of Vegas' Venetian and Palazzo resorts and Sands Convention Center.

The group also has a Sands Casino Resort in Bethlehem, Pennsylvania which opened in May this year and is the company behind the Marina Bay Sands resort in Singapore.

The group opened the Sands Macau in 2004 and three years later began the ambitious project for the Cotai Strip. The group opened the Venetian Macao Resort Hotel which is the largest casino resort in



OctaLotto

Octavian develops systems and game content and provides complete end-to-end lottery solutions, from consulting and set-up, through systems implementation and supplier management, to marketing, training and ongoing support



OctaBingo

Octavian provides the electronic terminals and develops the games, bonus features and multi-level and mystery jackpots that are the core attractions of exciting, successful bingo operations





Macau and marked the start of the Sands' Cotai Strip. In August last year they also opened the Four Seasons Hotel Macau adjacent to the Venetian Macao.

The Venetian Macao cost US\$2.4bn and is the largest single structure hotel in Asia and the second largest building in the world. It is themed on its sister hotel in Vegas and features replicas of Venice together with 3,000 all-suite guest rooms and one million square feet of shopping space. The casino is 550,000 sq.ft and home to 870 table and 3,400 slots

The groups plans for the Cotai Strip development now depends on financing. Last year LVS saw financial problems in the US and Macau and is now concentrating on its new Singapore Marina Bay Sands project. The company is planning on slashing some 4,000 jobs in Macau to help cut costs and fund the Cotai development.

MELCO CROWN ENTERTAINMENT (2 CASINOS)

Melco Crown Entertainment is the owner and developer of casino gaming facilities in Macau and operates the casino hotels via its subsidiary Melco Crown Gaming.

This company is a sub-concession from Wynn Resorts and is a joint venture company consisting of Melco, a Hong

In March 2009 the Mocha Clubs had a total of 1,345 slots in operation representing 11 per cent of the market total machine installation.

The group also operates the Altira Macau (formerly Crown Macau), a luxury hotel and casino complex located in Taipa which opened in May 2007. This is a 38 storey complex with 216 guest rooms and 24 VIP suites and eight villas. The casino at the Altira is 183,000 sq.ft and has 255 tables and around 95 slots.

Kong stock exchange listed company owned by Lawrence Ho (son of Stanley Ho) and Australian company Crown led by James Packer.

Previously Melco was a 50/50 joint venture with PBL until Crown acquired all the gaming businesses and investments of PBL and the company changed its name to Melco Crown Entertainment in May 2008.

Melco operates seven Mocha Clubs which are electronic gaming clubs run throughout Macau and Taipa typically within three star hotels and aimed at local resident and day trip customers.

These were established in 2003 and were aimed at bridging the gap between casinos and the street slots with stakes as low as HK\$10 for slots and HK\$5 for the electronic table games.

There are a total of around 1,300 machines in these trendy sites which range from 5,000 sq.ft to 15,000 sq.ft (a total of 63,010sq.ft) in size with on average 150 machines per site.

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The group also operates the Altira Macau (formerly Crown Macau), a luxury hotel and casino complex located in Taipa which opened in May 2007. This is a 38 storey complex with 216 guest rooms and 24 VIP suites and eight villas. The casino at the Altira is 183,000 sq.ft and has 255 tables and around 95 slots.

At the end of 2008 Mocha Clubs took over the operation of gaming machines at the Altira and commenced operation of Mocha Crown providing general gaming areas and high limit private gaming areas.

Melco paid a land premium of around US\$18.7m for the Crown Macau site with an annual rental fee of US\$171,000.

Taipa Square Casino meanwhile opened in June 2008 and is 18,300 sq.ft of gaming with 31 tables servicing rolling chip and mass market players. It operates within the Hotel Taipa Square.

The company has also just opened the City of Dreams, a large resort in Cotai on June 1st at a cost of US\$2.1bn.

The City of Dreams is located opposite the Venetian Macao and is the second casino to open on the strip and is home to the Hard Rock Hotel.



Melco paid a land premium of US\$105.1m for the site with an annual rental rate of approximately US\$903,000 once the site is completed.

City of Dreams will eventually offer three hotels - the Hard Rock Hotel, Crown Towers and Grand Hyatt with around 2,200 guest rooms, a Bubble theatre, restaurants, shopping mall and bars and a 420,000 sq.ft casino offering 520 tables and 1,350 slots. It is thought to be the only major casino resort development to open in Macau this year.

The group is planning another hotel casino complex in Macau near to the ferry terminal which will comprise of a casino, hotel and high end apartments. The company has already entered into an agreement to acquire all the outstanding shares of Sociedade de Fomento Predial Omar which is the current owner of the site.

The 6,480sq.m site cost US\$192.8m whilst the company will also have to pay the government a land premium of US\$26.3m (completion expected in July 2009).

Melco saw total net revenues in 2008 of US\$1.42bn. Rolling chip volume was US\$62.3bn and the mass table games segment drop totalled US\$353.2m.

Gaming machine volume was US\$166.9m whilst revenue was US\$13.4m.

MGM GRAND MACAU (1 CASINO)

Pansy Ho Chiu-King (Stanley Ho's daughter and of course sister of Melco's Lawrence Ho) and MGM Mirage set up a joint venture (MGM Grand Paradise) and was given a sub-concession by SJM Holdings.

MGM Mirage owns 17 properties in Nevada, Mississippi and Michigan and has investments in other US properties including the urban metropolis project City Center on the Las Vegas strip. Pansy Ho is the managing director of Shun Tak Holdings

The company opened the MGM Grand Macau on the peninsula (adjacent to Wynn Macau) in December 2007.

The hotel comprises of 468 guest rooms and 99 suites, 24 villas and two penthouses within a three tier glass structure on the waterfront site in the centre Nam Van district. The casino offers around 375 tables and 900 slots plus 16 private gaming salons.

The company is now in discussions with the government for a second project in Cotai.

Poker was introduced in August 2007 as an electronic table format at Galaxy Starworld casino. In 2008 Macau published the official rules for Texas Hold'em and Grand Lisboa Casino added the first live dealer cash game tables in Macau in February 2008.

Meanwhile 2008 was the first full year of operation for the company and total revenue during this last year came to MOP9,117m of which MOP8,795m came from the casino operation.

Net revenues for the MGM company decreased by six per cent to US\$7.2bn in 2008.

OTHER GAMING

Horse racing appeared long before 1842 but it wasn't until 1927 that organised races were held and took place in the newly built racing ground in Areia Preta by the Club International which held the monopoly at the time.

Horse racing takes place at the Macau Jockey Club or on the Taipa race course. The Macau site covers an area of 450,000 sq.m and has 18,000 seats.

Formerly known as the Macau Trotting Club it changed ownership in 1989 and became the Jockey Club for flat racing with the first race held in September 1989. In 1991 the Jockey Club was acquired by a consortium led by Stanley Ho.

Today the Jockey Club is one of the largest private employers in Macau with more than 1,100 employees of which less than half are stable hands.

Bets are placed via 230 betting terminals on-course or via 80 betting terminals off-course, via the telephone, Fast Access Terminals or online via macauhorsebet.com. Macau citizens can also bet on Hong Kong races via the Club.

Greyhound racing takes place at the Canidrome in north Macau and bets can be placed inside the racing centre of in off-course betting centres and more than 300 dogs take part in races on racing day.

After the race track was closed during the Sin-Japanese war in 1942 it was re-opened in 1961 and the concession to operate was granted for eight years and the Yat Yuen Canine Club opened in 1963.

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Meanwhile online gaming is essentially illegal in Macau and the nearest jurisdiction where it is permitted is the Philippines.

However of course that's not to say it isn't available. Last year a Macau based

information technology company invested around HK\$5m to become the first in the region to product a gaming system for online casinos.

Laxino Technology was set up in June last year and is due to launch the system by mid 2009 which will include Texas Hold 'em, Fight the Landlord and other game content.

The online gaming solution has been designed specifically for the Asian market and enables players to customise their own player cars, dealer uniforms and even table cloths. The company plans to lease the product to customers.

At the moment there is little competition in Asia in the online gaming sector and the plan for Laxino is to write the software and then lease or sell the whole system platform.

The DICJ have said that they will look at developing regulations for internet gambling possibly by the end of the year.

Stanley Ho has pre-empted the changes and STDM is behind a soccer and basketball betting site called Macau-slot.com which caters for players around the world.

Slot (Sociedade de Loterias e Apostas Mutuas de Macau) is a subsidiary of STDM was founded in 1989 and is the first government franchised company to offer the sale of instant winning lottery tickets on passenger ferries running between Hong Kong and Macau.

In 1998 the company was granted the franchise to offer soccer betting and became the first government franchised company in Asia to operate a sports betting business. This was followed by basketball in 2002.

Today SLOT offers soccer and basketball betting services to local and overseas clients with 100,000 registered members including 30,000 active betting members the majority of which are from Hong Kong.

The company is operated via a telephone betting department and numerous cash betting centres in Macau whilst in 2002 the company launched its internet betting website

Stanley Ho is also the majority investor in the Costa Rica based DrHo888.com which is run by his daughter Angela Ho and her husband Peter Kjaer and uses the family name and the triple 8 digit which in China represents wealth.

However at the end of 2006 this site was



later closed and subsequently re-opened and renamed ho368.com (operated by Ho368.com Ltd) which when accessed only permits players via invitation and does not permit US players due to government legislation there.

It is thought that as Internet gambling is not actually addressed by Macau's gaming laws, the authorities have made no effort to rein in the activities of these websites. The view taken is that as

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betting is illegal, it is the 'bettors' problem not the problem of the company supplying the service. As the sector grows it is thought Westerners penetrating the Asian markets could face some difficulties. In particular the Chinese are very insular and will prefer to play with their own ethnic background rather than an outsider if there is a choice. They also prefer live games rather than machine based games which is why some sites feature live video of employees dealing cards

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ARISTOCRAT

Gaming at the highest level

Gaming in Malaysia is dominated by the Genting Group, but there is greater diversity beyond its sole casino operator, both domestically and overseas

Malaysia is the 43rd most populated country in the world and 66th largest country in terms of total land area.

There are two distinct parts of Malaysia separated from each other by the South China Sea which are commonly known as West Malaysia (the peninsula) and East Malaysia (island of Borneo).

Some 20 million residents live on the peninsula although both are similar in their landscape and feature coastal plains rising to densely forested hills and mountains. The highest mountain is Mount Kinabalu on Borneo.

It is a country of extreme contrasts from the skyscraper towers in the city to the wooden houses built on stilts to sandy beaches to humid mangroves. It is home to the oldest rainforest in the world and two World Heritage Natural Sites both on Borneo.

Malaysia has a host of natural resources and is one of the top exporters of natural rubber and palm oil alongside cocoa, pepper, pineapple and tobacco. There has also been a rapid growth in the timber industry and today it is estimated that 59 per cento of Malaysia remains forested

The Strait of Malacca which lies between Sumatra and peninsula Malaysia is said to be the most important shipping lane in the world. Malaysia is made up of 13 states of which 11 are in the peninsula and two in Borneo (Sabah and Sarawak), one federal territory with three components – city of Kuala Lumpur, Labuan and Putrajaya.

Kuala Lumpur is the official capital and largest city of Malaysia whilst Putrajaya is considered the administrative capital for the federal government.

In 2007 it was ranked 29th largest in the world and underwent a rapid development process during the late 20th century. Unemployment is around 3.7 per cent (2008).

Genting Berhad is the investment holding and management company of the group and was founded by the late Tan Sri Lim Goh Tong in 1965.

Lim Goh Tong was born in 1918 in Anxi in the Fujian province in China and was the fifth child among seven siblings who led a relatively sheltered life and had the chance to study at school.

The country hosts a large population of immigrants and refugees in particular and the Malays make up the largest ethnic group and almost half of the population.

Meanwhile in 2008 Malaysia saw a total of 22 million tourists compared to 20.9 million the previous year and a total of MYR49.5bn from this sector. Back in 1998 the country saw a mere 5.5 million tourists.

Singaporeans were the largest number of visitors making up around half of the total tourist figures followed by Indonesian, Thai, Brunei and Chinese visitors. Malaysia has recently emerged as the fourth most price competitive country in the world in the travel and tourism industry out of 133 countries surveyed in the Travel and Tourism Competitiveness Report. It is up there with the likes of Egypt, Brunei and Indonesia. The country ranked 32nd overall in the TTCR.

The Malaysian's government's plan to enhance the MICE strategies is also in place to increase tourism figures. At the moment Malaysia hosts around 82 international fairs and exhibitions each year.

Malaysia is a middle income country and has transformed itself since the 1970s from a raw materials producer to an emerging multi sector economy. During the time of rule of Mahathir bin Mohamad up to the late 1990s Malaysia saw notable mega projects launched such as the Petronas Twin Towers, KL International Airport, North-South Expressway, Sepang F1 Circuit, the Bakun hydroelectric dam and Putrajaya as the new federal administrative capital.

The late 1990s saw Malaysia shaken by the Asian Financial Crisis as well as political unrest however today Malaysia has a growing economy.

In 2006 the government launched its five year national development plan which included a series of ambitious



development schemes for several regions that have had trouble attracting business investment.

GENTING CASINO

There is, of course, only one casino in Malaysia, which is owned and operated by the Genting Group.

The Genting Group is Malaysia's leading multinational corporation and has some

27,000 employees in total, 11,000 acres of prime resort land and 80,000 hectares of plantation land.

The Genting Group is a collective name for Genting Berhad and its subsidiaries and comprises of Genting Berhad, Resorts World Bhd, Asiatic Development Berhad and Genting Singapore Plc.

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When his father died when he was 16 however Lim was forced to leave school

Some 20 million residents live on the peninsula although both are similar in their landscape and feature coastal plains rising to densely forested hills and mountains.

and he and his elder brother had to take over the burden of supporting the family.

As China's situation worsened Lim decided to follow his cousin and in 1937 at the age of 19 he left China for Malaysia. Story has it he had just a suitcase and US\$175 in his pocket.

At first he worked for his uncle as a carpenter whilst learning the Malay



language and later he went on to become a building subcontractor.

During the Japanese occupation he earned a living as a vegetable farmer and later ventured into scrap metal and hardware trading. When the occupation ended there was a demand for heavy machinery in the mines and rubber plantations and Lim seized the opportunity and made his first fortune by trading in second hand heavy machinery.

He then strayed into iron mining which proved to be a successful venture and enabled him to form a joint venture in a tin mining company.

His range of reconditioned machinery plus cash saved later enabled him to then move into construction and related industries and his company became a leading construction company with projects such as the Ayer Itam Dam

Whilst working on a hydroelectric power project in 1964 at Cameron Highlands, a hill resort patronised mostly by British colonials at the time, he apparently dreamt of building a similar hill resort near to Kuala Lumpur as a getaway for the locals.

The shares of Genting Berhad were listed in Malaysia in 1971 and the company was restructured in 1989 and the company became an investment and management company. In 1994 the group became involved in electricity power generation and supply and the paper manufacturing business

He realized that as the standard of living rose steadily in Malaysia so would the need for relaxation and recreational resorts. He found his mountain and set about his development project despite some scepticism.

The task was huge. Roads had to be built to access the hilltop whilst water and electricity supplies and sewerage systems had to be put in.

The Genting project took all his time and with no income. He sold an 810 hectare rubber estate to raise funds and also invested all his money he had made from his previous business in mining and construction.

In 1969 Genting was granted the first and only casino license when the Prime Minister Tunku Abdul Rahman visited the site and commended Lim's effort at developing such a tourist resort without government help.

The Genting project was finally completed in 1971 but prior to opening Kuala Lumpur was hit by severe rainstorms and the road to Genting was closed by landslides at 180 locations which then took months to repair. The resort officially opened in May 1971.

The project has been developed and expanded to over the last 30 years with more hotels, convention centre and new roads added plus a cable car system

In 2003 Lim handed the chairmanship of Genting group over to his son Tan Sri Lim Kok Thay. Lim died at the age of 90 in October 2007 leaving behind his diverse business empire worth US\$42bn, his wife, six children and 19 grandchildren.

Today Genting Berhad as the company is known, is 39.6 per cent owned by Kien Huat Realty Sdn Bhd, a private company controlled by the late Tan Sri's family.

The company via Genting Berhad became involved in palm oil production in 1980 with the acquisition of The Rubber Trust Group which owned some 13,660 hectares of plantation land.

The shares of Genting Berhad were listed in Malaysia in 1971 and the company was restructured in 1989 and the company became an investment and management company. In 1994 the group became involved in electricity power generation and supply and the paper manufacturing business

The company is divided into several

divisions including:

RESORTS WORLD which was set up in 1980. In 1989 Genting Berhad and Resorts World underwent a restructuring exercise which resulted in Resort World's acquiring from Genting Berhad its entire gaming, hotel and resort related operations. Resorts World is now involved in the leisure and hospitality business and its activities cover theme parks, gaming, hotels, seaside resorts and entertainment.

Its main project in Malaysia is of course Genting Highlands, a mountain peak within the Titiwangsa Mountains on the border between the states of Pahang and Selangor and is now the home to the famous resort of the same name.

This is the jewel in the crown of the Genting's resorts and known as the City of Entertainment and is accessible by car from Kuala Lumpur in one hour or via the world's fastest and South East Asia's longest cable car called Genting Skyway.

It offers six hotels with 10,000 rooms, over 50 fun rides, 170 dining and shopping outlets, mega shows, business convention facilities and casino.

The six hotels include First World Hotel which with 6,118 rooms is said to be the world's largest hotel plus Maxims, Genting Hotel, Highlands Hotel, Resort Hotel and Theme Park Hotel.

The resort has also been voted the world's leading casino resort for three years and Asia's leading casino resort from 2005 to 2008 by World Travel Awards.

The resort has three entertainment venues whilst the five hilltop hotels achieved an overall occupancy of 90 per cent during 2008.

The Genting International Convention Centre at the First World Hotel is 150,000 sq.ft in size and the grand ballroom can host more than 6,000 people. The GICC has 18 meeting rooms and a new business centre.

The shopping area features First World Plaza which covers 500,000 sq.ft and some 50 retail shops, 60 F&B outlets, 25 fun rides and six themed boulevards.

The theme park has more than 60 rides and has adopted the rainforest theme. The indoor section is within the shopping area and the outdoor theme park features new attractions

The resort received 19.2 million visitors in 2008 of which 27 per cent were hotel guests and 73 per cent were day trippers. Visitors came from India, Middle East, Taiwan, Vietnam and Indonesia. Six per cent of visitors were from Singapore.

The casino opened in 1971 at the same time as the resort and originally offered 30 gaming tables as well as a selection of slot machines. It was initially located where the Theme Park Hotel is housed today.

When the government agreed to give Genting a casino licence, Lim went off to Macau and South Korea to study casino operations there and in 1969 he met Stanley Ho with the idea of cooperating with him in the casino. This however did not materialise and Lim entered into a deal with Chong Ta Wong, the operator of the only casino in Seoul.

The agreement signed in 1971 was for three years and allowed him to assist in the management of the Genting casino. After nine months of cooperation however the agreement was terminated and Genting took on sole operation of the casino.

Over the years the casino grew and by the 1980s it had doubled in size in terms of staff, tables and slots and was then

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moved to the Highlands Hotel in the late 1980s.

Since then the casino has expanded to cover three hotels throughout the resort whilst the types of games and décor has been changed to suit various player types. The specially themed areas such as Monte Carlo and Hollywood were also opened.

International players began to increase and in 1995 the casino organised the first major baccarat and blackjack tournaments.

The Casino de Genting is located some 6,000 feet above sea level and is of course Malaysia's only gaming venue. It is 200,000 sq.ft in size and offers 4,000 slots and some 430 tables including roulette, baccarat, blackjack and Caribbean Stud Poker.

It is open to anyone over the age of 21 years and only (and somewhat controversially) non-Muslims.

In Malaysia the gaming tax has been fixed at fixed at 25% since 1999. It was changed from a tiered structure to the flat rate in 1999.

Resorts World works with around 40 junket operators in Asia and these junkets are not regulated by Malaysian laws but are self regulated by Resorts World. The company currently pays one of the highest junket commission rates of 1.5-1.6 per cent and rebates of 0.9 - 1.1 per cent.

In 2004 the casino launched Starworld which is a contemporary gaming venue located at First World Hotel which has the latest gaming technology such as electronic table games and cashless gaming for its slot machines.

Starworld Café has 750 slots plus table games - 3 card poker, pontoon, three pictures, roulette, baccarat, French Boule, Tai Sai and Money Wheel plus Novo Touch Bet live roulette.

The following year the casino launched its new theme @Latte, a unique coffee shop offering slot machines and multi bet games such as roulette tables from Interblock, Alfa Street, Touch Bet, Interblock Sic Bo and Vegas Star baccarat.

Meanwhile Resort World also owns and operates three other resort properties in Malaysia including the Awana Genting Highlands Gold and Country Resort. This features 430 guest rooms, 17 function rooms, grand ballroom and an 18 hole golf course.

The Awana Kijal Golf, Beach and Spa Resort is located in Terengganu on the



beach and is a five star resort with golf course and 7.6 kilometres of beachfront facing the South China Sea whilst the Awana Porto Malal in Langkawi is a Mediterranean themed seafront resort with 208 rooms

In 1998 Resorts World also took an equity investment in Star Cruises Limited, the leading cruise operator in Asia Pacific, and now owns 19.3 per cent of the company.

In 2008 Resorts World saw total group revenues of MYR4,886.75m and a gross profit of MYR1,127.0m.

The Genting Group recently paid US\$100m for a 3.2 per cent stake in MGM

In 1998 Resorts World also took an equity investment in Star Cruises Limited, the leading cruise operator in Asia Pacific, and now owns 19.3 per cent of the company.

Mirage and could pave the way for Genting to take over the MGM Grand Macau.

In addition the Lim family sold its nine per share in the Singapore Genting development at Sentosa for some S\$615m. The Malaysian flagship company will still remain in control of the Singapore project.

ASIATIC DEVELOPMENT BERHAD is a 54.7 per cent owned subsidiary of the Genting group and a plantation company which was set up in 1977. Asiatic currently has over 80,000 hectares of palm oil plantations in Malaysia and Indonesia. The company has also ventured into property development and has developed a 55 hectare site in Central



Melaka and a 284 hectare site in Kedah. The developments are a mix of commercial properties, bungalow lots, golf course and residential houses. Two similar projects are also being developed in the south of Malaysia.

Asiatic has also ventured into the biotechnology industry via Genome Technology which is a joint venture with US based Synthetic Genomics.

GENTING SINGAPORE (formerly known as Genting International) is the integrated resorts and development arm of the company which was incorporated in 1984 to invest in leisure and gaming facilities outside of Malaysia.

Today, the group has casinos and resorts in various parts of the world including the renowned Resorts World development in Sentosa, Singapore plus in the UK market the prestigious London brands of Crockfords, Maxims Casino Club, Colony and Palm Beach casinos and provincial brands of Mint Casino, Circus and Maxims.

Genting UK has five casinos in London plus 39 provincial casinos throughout the

UK and its online casino brand CircusCasino.com which was launched in 2008.

OTHER GAMING

Even though the government does permit private corporations to run gambling activities in the country there are strict controls in force which include:

- No new licences will be issued by the government for gambling
- Gambling licences are not issued to Muslims.
- Muslims are not permitted to enter gambling premises
- Only those over the age of 21 are allowed to enter gambling premises
- Gambling houses are not permitted near schools or places of worship or in shopping and office complexes.

According to sources there are 63 slot clubs in Malaysia operating a total of around 925 slots. A maximum of 15 slots are permitted per club.

Meanwhile the Malaysians are fond of lottery betting and today there are three government approved companies which between them conduct nine draws a week.

Magnum 4D offers four digit lotteries, Pan Malaysian Pools offer three and four digit draws whilst Sports Toto offers four digit draws.

The Malaysians have a unique way of choosing numbers via the Chifa book which correlates numbers to certain objects or actions. The idea is if you dream of catching a fish for example, players look up a picture of a person fishing and use that number in their lottery.

The Chifa book contains numbers from 000 to 999 and therefore contains some 1,000 pictures of objects and actions from baskets to parrots to playing ball.

Magnum 4D was incorporated in 1968 and began business by dealing in four digit number forecast betting games with initially 145 sales outlets and a turnover of MYR40m.

Genting Singapore (formerly known as Genting International) is the integrated resorts and development arm of the company which was incorporated in 1984 to invest in leisure and gaming facilities outside of Malaysia.

Twice weekly sales were carried out manually at the time based on the results of horse races. In 1985 Magnum obtained a government approval to conduct its own draws and in 1986 introduced electromechanically drive equipment. Today Magnum has a network of eight gaming subsidiaries with 477 outlets

Pan Malaysian Pools was incorporated in 1988 and is a wholly owned subsidiary company of Tanjong public limited company, an investment holding company dealing in power generation and gaming and leisure.

PMP offers several games plus the Big Sweep which is a lottery managed and promoted by Pan Malaysian and tickets are bought via the D Ma Cai outlets. It also runs horse racing betting.

Horse racing took off in Malaysia in the early 1800s and was introduced by British traders from Singapore.

At the time Malaysians would bet on cock fighting and bullock cart contests although horse racing became very popular.

Horses began to arrive from Australia in the late 1800s and the sport really took off with the first race meeting held in 1843.

Racing clubs began to develop in the Malay peninsula starting with Penang in 1864 and Perak and Selangor in 1886 and the Kuantan Off-Course Centre.

In 1896 the Straits Racing Association (now the Malayan Racing Association) was founded to regulate racing at the four Turf Clubs- in 1960 the turf clubs opened their doors to the public.

Off course betting was introduced a year later and today there are around 1,900 horses competing within the Malaysian circuit.

Meanwhile Sports Toto is part of the Berjaya Group which is one of the most diversified conglomerates in Malaysia and activities include property investment, gaming and lottery management, vacation time-share, travel and hotel and resorts development.

The company is headed by Vincent Tan and employs a total of 17,000 with annual revenues of around MYR3.5bn.

The company began in 1984 when Tan acquired a major controlling stake in the share capital of Berjaya Kawat Berhad from the founders.

The group runs hotels and resorts all over



OctaSystems

Octavian develops, installs and supports the systems that link playing terminals, jackpots, data and other assets at single or multiple venues into efficient, customer-focused gaming operations



OctaGames

Octavian creates and supplies the games and other integrated on-screen content that provide a more exciting and satisfying customer experience



Asia and its Hotel and Resorts division saw revenues of MYR266m in 2008.

The company's Gaming and Lottery Management sector has four divisions which include Sports Toto Malaysia, Prime Gaming Philippines, International Lottery and Totalizator Sytems and Berjaya Lottery Management.

Sports Toto Malaysia was incorporated in 1969 by the government of Malaysia and the company was privatised in 1985 when Vincent Tan through his private company acquired 70 per cent of the paid-up capital.

Sports Toto is the wholly owned subsidiary of Berjaya Sports Toto Berhad (BToto) and principal activities include the operations of Toto betting, leasing of online lottery equipment and the manufacture and distribution of computerised lottery systems.

BToto is Malaysia's only national lotto operator and offers six games which are drawn three days a week. Tickets are sold via some 680 outlets throughout Malaysia.

Internationally the company supplies and maintains a computerised online lottery system in the Philippines and in the USA Btoto's subsidiary International Lottery and Totalizator System is a supplier of online computerised wagering systems worldwide.

BToto saw revenues in 2008 of US\$999.5m, a growth of 6.7 per cent from the previous year.

Vincent Tan has always hoped the government will relax its gaming laws and permit further expansion although due to its Muslim majority this is deemed unlikely.

Last year the government quietly awarded the three gaming companies 10 more draws per year in a bid to boost flagging government revenues.

Each draw typically adds MYR16-21m to total sales and the government benefits from gaming and pool betting taxes on each draw whilst special draws come in for an extra 10 per cent tax on net sales.

The additional draws could net Kuala Lumpur alone some extra MYR130m in extra revenues.

Meanwhile online gaming remains illegal in Malaysia although it is said that at least 20 per cent of the country's internet users regularly visit virtual casinos or sports gambling sites.



MALAYSIA: VITAL STATISTICS

Capital: Kuala Lumpur
Population: 25,715,819
Land Area: 329,750 sq.km
Median age: 24.9 years
Languages: Bahasa Malaysia (official), English, Chinese, Tamil, Telugu, Malayalam, Panjabi, Thai
Currency: Ringgits (MYR)
Government: Constitutional Monarchy
Chief of State: Sultan MIZAN Zainal Abidin (King since 2006)
Head of Government: Prime Minister NAJIB Tun Razak (since 2009)
Cabinet: Cabinet is appointed by the Prime Minister from among the members of parliament with consent of the King.
Casinos: 1
Casino Operators: 1
Casino Slots: 4,000
Gaming Tables: 430
Gaming Arcades: 63 (925 slots)
Gaming Revenue: US\$1bn

of British Residents which advised Malay rulers.

On the island of Borneo, Sabah was governed as the crown colony of British North Borneo while Sarawak was acquired from Brunei as the personal kingdom of the Brooke family who ruled as white Rajahs.

After the Japanese invasion during World War II support for independence grew. The Malayan Union was established in 1946 was dissolved in 1948 and replaced by the Federation of Malaya which restored autonomy of the rulers of the Malay states under British protection.

During this time guerrilla operations were launched to force the British out and the Malayan Emergency lasted from 1948 to 1960. Independence was granted in 1957.

In 1963 Malaya along with the British crown colonies of Sabah, Sarawak and Singapore formed Malaysia. The Sultanate of Brunei withdrew from the merger.

The early years of independence were marred by conflict with Indonesia and race riots which saw the launch of the New Economic Policy to promote equality of all races.

Between the 1980s and 1990s Malaysia experienced significant economic growth under the leadership of Mahathir bin Mohamad and saw the country shift from an agricultural based economy to one of manufacturing and industry.

There are constant reports of computers being seized in illegal gambling dens where internet gaming is at its height whilst there have been reports of some banks in Malaysia permitting transactions to overseas gaming sites.

HISTORY

There is a deep ancestry in the Malay peninsula which dates back to the initial settlement from Africa over 50,000 years ago.

The Chinese and Indian kingdoms

Last year the government quietly awarded the three gaming companies 10 more draws per year in a bid to boost flagging government revenues.

followed in the 2nd and 3rd centuries whilst the Buddhist kingdom of Ligor took control of Kedah in the 11th century and used it as a base to attack Sri Lanka.

During that first millennium many of the Malays adopted Hinduism and Buddhism and the use of the Sanskrit language until they eventually converted to Islam.

In the early 15th century the Malacca Sultanate was established by Prince Parameswara but in 1511 Malacca was conquered by Portugal which established

a colony there.

The sons of the last Sultan of Malacca established two sultanates elsewhere in the peninsula and after the fall of Malacca three nations struggled for the control of the Malacca Strait. The conflict went on until 1641 until the Dutch eventually gained control of Malacca.

Britain established its first colony in the Malay peninsula in 1786 with the least of the island of Penang to the British East India Company but the Sultan of Kedah.

Meanwhile online gaming remains illegal in Malaysia although it is said that at least 20 per cent of the country's internet users regularly visit virtual casinos or sports gambling sites.

In 1824 the British took control of Malacca following the Anglo-Dutch treaty which divided the Malay archipelago between the two with Malaya being in the British zone.

In 1826 Britain established the Crown Colony of the Straits Settlements uniting Malaya, Penang, Malacca and Singapore and the island of Labuan.

By the turn of the 20th century the states of Pahang, Selango, Perak and Negeri Sembilan were under the de facto control



Land of golden opportunities

A liberal monopoly, gaming in the Philippines is split between operations owned by PAGCOR and private companies in the special economic and tourist zones

The Philippines is located in Southeast Asia and comprises of 7,107 islands in the western Pacific Ocean.

It is divided into three island groups – Luzon, Visayas and Mindanao of which these are then divided into 17 regions, 80 provinces, 120 cities, 1,511 municipalities and 42,008 barangays.

The islands are surrounded by the Philippine Sea on the east, South China Sea to the west and Celebes Sea on the south.

The port of Manila on Luzon is the capital city and the second largest city after this is Quezon City.

Many of the mountainous islands are covered in tropical rainforest and are

The Philippines is the world's 12th most populous country and around half reside on the island of Luzon. It is also the third largest English speaking country in the world.

volcanic in origin and the highest mountain is Mount Apo in Mindanao which is almost 3,000 metres above sea level.

Because of its location the country is subject to typhoons and has around 20 registered earthquakes per day, although these are said to be very slight

The Philippines is the world's 12th most populous country and around half reside on the island of Luzon. It is also the third largest English speaking country in the world.

Its national economy is the 47th largest in the world and it is a newly industrialised country and although its economy is anchored to agriculture it has substantial contributions from manufacturing, mining

and remittances from overseas Filipinos and of course tourism.

The economy was severely affected during the Asian Financial Crisis which saw the devaluation of the peso and fall in the stock market. This began to change in 2004 and growth has been steady since.

President Macapagal pledged to make the Philippines a developed country by 2002 and therefore introduced a series of reforms and privatisation schemes.

Meanwhile tourism in the Philippines began to flourish in the 1970s, however in the mid 1980s this began to slow down until the early 1990s when it rose again.

Around 1.2 million tourists visited the Philippines in 1992 increasing to 3.4 million in 2007 and generating US\$4.8bn. The biggest number of visitors came from Korea followed by the US and Japan.

It offers a taste of western and eastern culture under one roof and alongside the city architecture and appeal of cheap and yet quality shopping it also offers a host

of pristine white sandy beaches, scenic landscapes, surf sites, mountain regions and waterfalls which have long had a appeal for all sorts of travellers.

In a bid to boost tourism the Philippine's casino sector is now the next hot spot of activity and has become a gambling paradise in recent years.

The casino sector is now one of the fastest growing parts of the Filipino economy and although the locals partake in gambling it is however the tourists who are helping to boost this industry and turn it from a once government monopoly into a now more liberal industry.

The majority of casinos are of course found in Manila and these are the biggest and most popular with the Asian, European and US visitors.

The Philippines is between two and four hours away from other countries such as China, Japan, South Korea, Malaysia, Singapore, Hong Kong, Macau, Thailand, Vietnam and even Australia.

HISTORY OF GAMING

Gambling is very prevalent in the Philippines and children can be seen betting over duelling spiders or playing trumpo and tumba-lata games whilst some parents advise their children to buy lottery tickets rather than 'waste' their pocket money.

Gambling is part of the Filipino culture and the total gaming market today in the Philippines is estimated to be worth over PHP100bn (US\$2bn) annually of which illegal gambling accounts for half of this. Casino revenues from PAGCOR and private operated sites total around US\$850m per year.

The most popular casino games include baccarat, blackjack, roulette, sicbo and the Australian and US style of slots game whilst poker is also gaining popularity with many poker clubs opening in the last two years.

The Philippines casino market has been developing since 1977 and all casinos and gaming clubs are legal and licenced by the Philippines Amusement and Gaming Corporation (PAGCOR) which is a

Gambling is part of the Filipino culture and the total gaming market today in the Philippines is estimated to be worth over PHP100bn (US\$2bn) annually of which illegal gambling accounts for half of this. Casino revenues from PAGCOR and private operated sites total around US\$850m per year.

government controlled corporation.

PAGCOR reports directly to the office of the President of the Philippines and its role is both a regulatory body and also that of an operator and manager of its own casinos and gaming clubs.

PAGCOR currently operates 13 casinos and 26 PAGCOR Clubs with feature slots and electronic gaming machines. A further five to eight clubs are planned to open in mid 2010.

To date the largest concentration of casinos are found in the Manila area and are still the biggest and most popular attracting the largest number of visitors.

Private operators can also operate and manage casinos under a PAGCOR licence and these are all located with the Special economic and tourist zones throughout the country.

There are currently five casinos in SEZs in operation with another three to five new private clubs expected to be operational by the end of this year and into 2010.

Players enjoy the Philippines as it is cheaper to do business than say Macau or Japan whilst relaxed rules in the Special Economic Zones are encouraging investment at the same time.

The SEZs are basically regions which have more liberal economic laws than the country's typical economic law, and includes various types such as Free Trade Zones, FreePorts, Urban Enterprise Zones and so on.

Each operator must receive a licence however from the provincial or municipal or city council authorising the casino in the proposed site.

Operators must also secure a lease agreement with the appropriate economic zone authority for the site. Casinos in these Ecozones must primarily cater to foreign players (via junkets)

The goal of course is to increase foreign investment. In the Philippines there are 140 private owned economic zones (by end 2007) and four government owned zones in Mactan, Bataan, Baguio and Cavite. There are also five zones under the Bases Conversion Development Authority such as Subic Bay which is the former US Naval facility, Clark SEZ and Poro Point SEZ

PAGCOR owned Subic Bay Legend was located here and operated by Legend International Resorts. It was closed down by PAGCOR in May 2006. Meanwhile the Subic Diamond Casino which opened in 2005 and owned by Diamond Casinos Group also ceased operations in 2006.

One of the latest developments include the Newport City, near Manila airport, which is a resort covering a 25 hectare site. There will be a Marriott Hotel and casino although details remain sketchy.

Meanwhile apart from the PAGCOR and private casino operations in the SEZs, most of the other gambling operators are illegal jueteng operators.

Jueteng is an illegal numbers gambling game which has long been popular in the Philippines. It was brought to the headlines in the late 1990s during the impeachment trial of President Joseph Estrada.

He was eventually found guilty of accepting millions in illegal payoffs (including some from jueteng gambling profits). But despite orders for a crackdown on the game operators merely went underground often running games



from the back of trucks.

Jueteng, meaning flower (jue) and bet (teng) was introduced by the Spanish in the 1800s and in the early 1900s it was controlled by the migrant Chinese population before being taken over by the locals.

There are no limits of minimum or maximum bets and the game relies heavily on a large number of wagers. The game is played with two balls with numbers from one to 37 which are drawn for the winning number combination. There are usually three draws per day with bets placed the day before.

Apparently collections of bets can run up to PHP50m a day and is particularly prevalent in Luzon.

CASINO OPERATORS PAGCOR

The Philippine Amusement and Gaming Corporation is a wholly government owned and controlled gaming corporation

The SEZs are basically regions which have more liberal economic laws than the country's typical economic law, and includes various types such as Free Trade Zones, FreePorts, Urban Enterprise Zones and so on.

which was created in 1977 to curb the influx of illegal gambling.

It was given a franchise for 25 years which was then extended for another 25 years in July 2008 and is headed by Efraim Genuino (Chairman and CEO). It is the second biggest source of governmental funds (the first being the Bureau of Internal Revenue) with an annual revenue of around US\$650m from its casinos and clubs from which 48 per cent is derived from its slots and electronic gaming machines alone.

It was set up with a three-pronged mandate – to regulate games of chance (casinos in particular), to raise funds for the government and to help boost the Philippines' tourism industry.

Today PAGCOR operates 13 casinos and 26 exclusive clubs in major cities across the country offering table games and slots.

The PAGCOR casinos include:



ANGELES – A themed casino based on Kamampangan folklore located in Pampanga province. It is set on three storeys offering table games, slots and bingo.

BACOLOD – This is located in a Spanish era inspired hotel CEBU- Located in the castle-like Waterfront Cebu City Hotel it was one of the first themed casinos in the Philippines. There is 41,000 sq.m of gaming and a total of 737 slots.

DAVAO – the biggest city in Mindanao it is home to Mount Apo (highest mountain) and also the casino located in the Grand Regal Hotel in Lanang. There are 20 table games.

HYATT MANILA – Located in the tourist district this hotel/casino boasts three floors of gaming. It was opened in 1994.

HERITAGE – Located in the Heritage Hotel Manila in Pasay City this features 401 slots and 57 gaming tables plus bingo.

Operated with Jimei Group.

LAOAG – Located in the Fort Ilocandia Resort Hotel in Laoag City, a resort know for its sandy beaches and is a favourite with players from Hong Kong and Taiwan.

MACTAN – Very close to the international airport this casino is located in Lapu Lapu City in Cebu and has 374 slots and table games.

MIMOSA – Found at the Mimosa Leisure Estate in Clarkfield, Pampanga this is based on the glitz of Hollywood glamour.

OLONGAPO – Located in Olongapo City with its array of bars, duty free, golf course and restaurants the casino is found in the heart of the entertainment district.

PARAÑAQUE – Situated just across from the Ninoy Aquino Airport this offers all types of entertainment.

PAVILION – Found in the Manila Pavilion

There are no limits of minimum or maximum bets and the game relies heavily on a large number of wagers. The game is played with two balls with numbers from one to 37 which are drawn for the winning number combination. There are usually three draws per day with bets placed the day before.

Hotel in the heart of the city's tourist and historical district the hotel has a VIP room in addition to its gaming lounges.

TAGAYTAY – Distinguished by its giant gold crown this is found in the city famous for the Taal Volcano in Cavite. It was opened in 1991 and has a gaming area of 4,450 sq.m and 1,051 slots and 45 table games.

PAGCOR does not give franchises to operate slot machine arcades but instead they can be operated under a lease agreement.

PAGCOR slot machines are operated with a PHP500 or PHP1,000 bill which are then converted into credits depending on whether it's a PHP0.50 machine, PHP1, PHP2, PHP5 or PHP10 machine. Multi line machines are different and players can buy between one and 30 line patterns depending on the machine time.

Most multi line machines are multi bets and players can bet with a minimum of one credit and up to a maximum of three

to 30 credits per line.

Slots can also be operated with tokens which are purchased in PHP10, PHP5 or PHP2 denominations.

PAGCOR also supplies licences to operate poker clubs plus the Asian Gaming Academy – the only authorized training centre.

PAGCOR's earnings are divided as follows:

- Five per cent of net winnings goes to the BIR as franchise tax.
- Fifty per cent of the balance then goes to the National Treasury as the government's income share.
- Five per cent of the remaining balance goes to the Philippine Sports Commission for financing the country's sports development and
- One per cent of the net cash income goes to the Board of Claims (an agency which compensates victims of wrongful detention and prosecution).
- Cities which operate PAGCOR casinos are then given a fixed amount for respective community development projects.
- The remaining balance is remitted to the President's Social Fund.

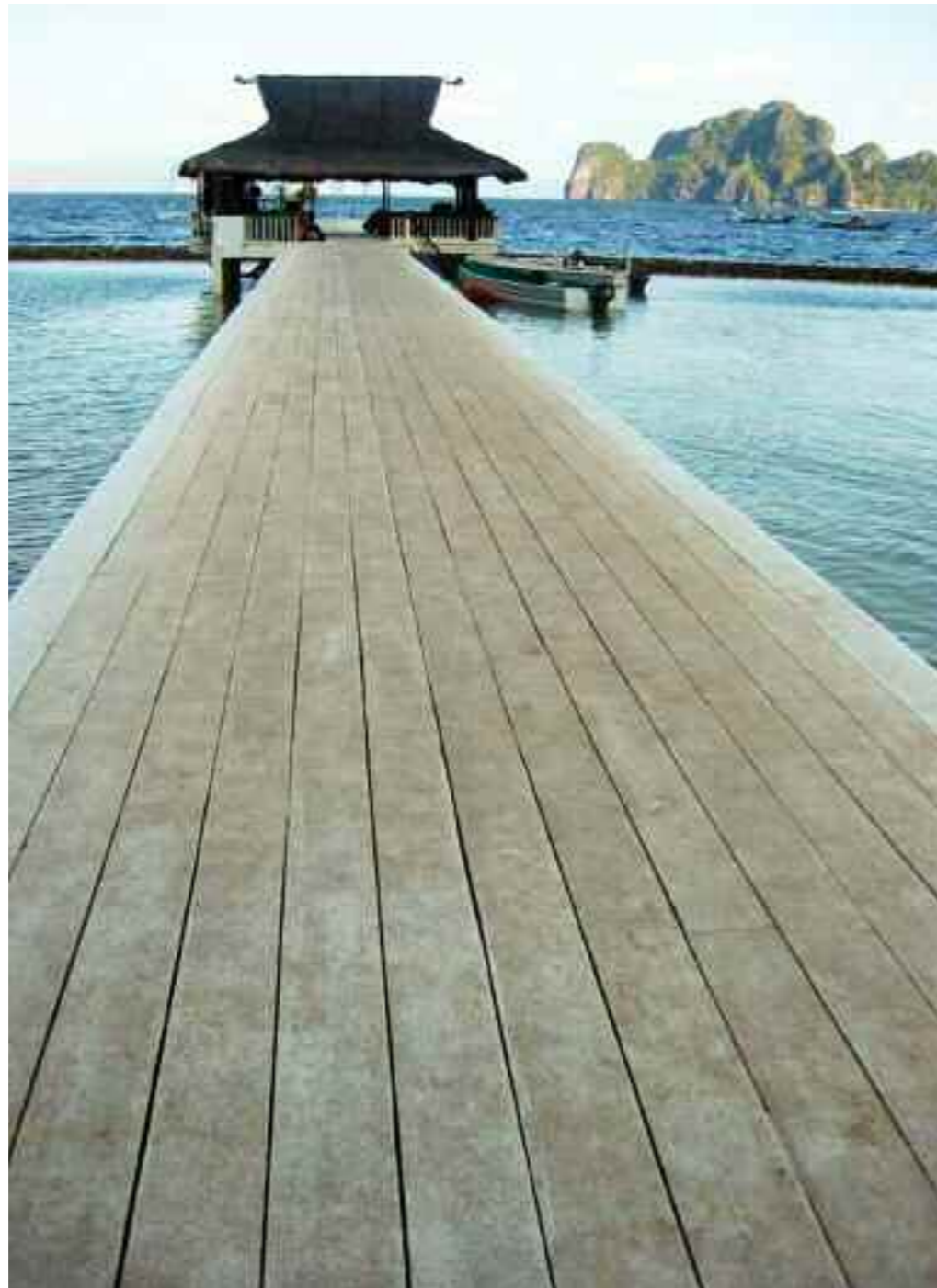
Meanwhile PAGCOR has eight VIP Members Clubs which include one which is located in the Apo View Hotel in Davao City offering EBS (electronic betting system) with 137 slots on offer. Players sign up for membership with a minimum fee of PHP1,000 which they can pay into the slots. This site is owned by Pacific Palm Corporation under licence from PAGCOR.

VIP Players Club in Estosan Hotel in Cotabao City is a new enterprise which features 140 advanced and progressive slot machines plus baccarat and roulette electronic machines.

THUNDERBIRD RESORTS

Thunderbird is an international provider of branded casino and hospitality services and has operations in seven countries primarily focused in Central and South America and Eastern Europe.

The group has 32 operating gaming facilities worldwide (seven of which were acquired at the end of 2008 in Poland and Peru), one slot machine route, nine hotels



and a nine hole golf course.

In the Philippines the group has two casinos, two hotels and a nine hole golf course. The group entered the Philippines market in 2005 with the Hotel Fiesta Casino in Rizal which is located on a tropical hill overlooking the country's largest lake. Thunderbird owns 60 per cent of the Rizal

It is situated on the east side of Manila compared to most of the casino developments which are on the western

VIP Players Club in Estosan Hotel in Cotabao City is a new enterprise which features 140 advanced and progressive slot machines plus baccarat and roulette electronic machines.

side and comprises of 1,800 sq.m of gaming space, 379 slots, 200 table games and 43 hotel rooms.

The company began an expansion project on this resort in April 2008 which includes an event centre, additional food and beverage areas and gaming areas offering 163 new slots positions and 49 new table game positions with a total investment of US\$13.2m

Meanwhile Thunderbird's second Fiesta Casino is located in San Fernando, Poro



Point which is a peninsula into the South China Sea which was previously the site of a US air force base.

The group obtained a lease in 2005 and owns 61 per cent. The total gaming area is 1,150 and the site has 248 slots and 172 tables games and a hotel with 36 rooms which opened in April 2008 together with a nine hole golf course which completed phase one of the project.

An expansion plan began late last year

and will create an additional 1,000 sq.m of gaming space to offer 75 new slot machines and 42 new gaming table positions alongside food and beverage operations.

The company saw gross revenues in 2008 of US\$144m. In the Philippines sales amounted to US\$44m in 2008 (second to its Panama operations) compared to US\$34.5m the previous year.

JIMEI INTERNATIONAL

Japanese company, Jimei operates the

Thunderbird Resorts saw gross revenues in 2008 of US\$144m. In the Philippines sales amounted to US\$44m in 2008 (second to its Panama operations) compared to US\$34.5m the previous year.

Fontana leisure parks and casino located in the Highway Clark Special Economic Freeport Zone, Pampanga.

With views of the Arayat Mountain the casino is 2,000 sq.m and open to Fontana Resort and Country Club members and foreign nationals only.

Meanwhile the Heritage Hotel Manila is a five star hotel with 450 rooms which houses the Casino Filipino which is also operated by Jimei International. It is located close to the SM Mall of Asia.



OctaSupplies

Octavian supplies world-leading casino and amusement equipment through which game content and related services are delivered easily and attractively to customers



OctaLotto

Octavian develops systems and game content and provides complete end-to-end lottery solutions, from consulting and set-up, through systems implementation and supplier management, to marketing, training and ongoing support



BAGONG NAYONG

Meanwhile PAGCOR is also behind the multi billion dollar tourism development project, the Bagong Nayong Philippine-Manila Bay Integrated City or otherwise known as PAGCOR Entertainment City.

The project has been on the back burner since 2001 but once PAGCOR received its extended licence in February 2007, the agreement between PAGCOR and the city government of Paranaque was sealed in October 2008 with development beginning some months later.

Under the new 25 year licence given to PAGCOR came the ability to sub-franchise its franchise to private investors. And so the idea for Bagong Nayong was born.

The project comprises of around 85 hectares of reclaimed land (60 hectares is owned by PAGCOR) in Bay City and will be developed in various stages over the next 10 years costing around US\$10-20bn in total.

This will include luxury hotels, convention centres, theatres, sports stadium, shopping complex, museums, amusement parks and observation tower. Five per cent of the total property will be devoted to casinos.

The first phase will include the construction of a hotel, a theme park and a casino and will completed over the next two years with completion due by 2012.

Other phases in the project will include the development of other areas in Pampanga and Visayas. It needs four investors with at least US\$1bn each to join the project.

The new resort project is expected to triple the present annual income generated by PAGCOR and thus topping governmental funds in the process.

It is thought the Bagong Nayong site will help boost tourism and bring total tourism figures to the 10 million mark in the Philippines, whilst also creating around 250,000 jobs.

According to statistics the country employs around 907,000 workers in the hotel and restaurant sector alone and that is expected to rise to over one million once the project is completed whilst local workers could earn US dollars and locators are being urged to pay salaries competitive with those in other countries.

With a budget deficit and debts the Philippine government cannot invest into



the project and the cost to build the project lies totally in the arms of private investors who would 'buy' their licences to operate casinos from PAGCOR.

They have to be financially able but also have partners with qualified hotel and gaming operator entities.

Licence application fees cost US\$50,000 to PAGCOR (non-refundable) and applicants must be expert in the hotel and gaming business and submit proposals for a total entertainment complex with a minimum project cost of US\$1bn.

Of this a minimum of 40 per cent of the total project must be invested within a period of two years.

Licence application fees cost US\$50,000 to PAGCOR (non-refundable) and applicants must be expert in the hotel and gaming business and submit proposals for a total entertainment complex with a minimum project cost of US\$1bn.

Selected applicants will lease the land from PAGCOR for a period of 25 years which is then renewable and applicants will also need to have a bank guarantee for US\$100m set aside for 120 days with an Escrow Account then maintaining a balance of US\$50m.

The following taxes will be set in place:

Non-junket table and slot operations will pay:

- 15% of gross gaming revenue (GGR) from high roller tables
- 25% of GGR from non-high roller tables.
- 25% of GGR from slots

- 2% of total GGR from high and non-high roller tables (towards restoration of cultural heritage)

From Junket operations:

- 15% of GGR from high and non-high roller tables.

PAGCOR may also collect a fee of around 5% of non gaming revenues from food, beverage and retail outlets (except hotel operations).

At the moment four major groups from four countries have been selected to undertake the project including Aruze Corporation of Japan, the Genting Berhad Group of Malaysia, Bloombury Investments Limited of Australia and SM

Investment Corporation (Henry Sy Sr). Each has deposited at least US\$100m.

SM Investments Corp (SMIC) is the holding company of the SM group and is one of the Philippines biggest conglomerates in the shopping mall, retail merchandising, banking, finance and property sector (including hotels).

At the end of 2008 the company had 97 retail stores in the Philippines made up of 33 department stores, 24 supermarkets, 13 SaveMore branches, 13 hypermarkets and 14 Makro outlets.

The company through its subsidiary SM Prime Holdings also has 33 shopping malls in the Philippines plus a further three malls in China. A further three

At the end of 2008 the company had 97 retail stores in the Philippines made up of 33 department stores, 24 supermarkets, 13 SaveMore branches, 13 hypermarkets and 14 Makro outlets.

PHILIPPINES: VITAL STATISTICS

Capital: Manila
Population: 97,976,603
Land Area: 300,000 sq.km
Median age: 22.5 years
Languages: Filipino and English (eight major dialects)
Currency: Philippine Pesos (PHP)
Government: Republic
Chief of State: Gloria Macapagal-Arroyo (since 2001)
Head of Government: Gloria Macapagal-Arroyo
Cabinet: Cabinet is appointed by President with consent of Commission of Appointments.

Casinos: 13 PAGCOR casinos plus five in SEZ
Casino Operators: 5
Casino Slots: 7,000
Gaming Tables: 700
Gaming Arcades: 26 PAGCOR Clubs (only slots and electronic gaming)
Gaming Revenue: US\$2bn (PHP100bn)

malls will open in the Philippines by the end of 2009.

In the property sector the company saw its revenues surge in 2008 by 66 per cent to PHP6.8bn with a net income of PHP1.5bn.

The residential arm sold some 2,622 condominium units whilst its commercial arm saw the start of the Mall of Asia complex and the SMX Convention Center.

SMIC already owns and operates the Taal Vista Hotel overlooking the world famous Taal volcano and this underwent PHP650m worth of expansion work to double the number of rooms. Whilst in Cebu, SMIC will open the Radisson Cebu this year next to the SM City Cebu.

In the PAGCOR Entertainment City project SMIC is developing the Radisson and Regent Hotels in the Mall of Asia complex plus a sports arena and museum.

SM Investments is also proposing to build a world class gaming facility in partnership with Australia's Asia Pacific Gaming.

Meanwhile SM's premier sustainable leisure destination Hamilo Coast in Nasugby, Batangas saw the opening of Carola and Miranda condominium buildings in the Pico de Loro Cove one of thirteen coves being developed into the

unique nature leisure resort featuring a man-made lagoon.

In 2008 SM group reported a 15.6 per cent growth in net income to PHP14bn whilst the net recurring income grew by 11 per cent to PHP11.6bn of which operating income stood at PHP21.7bn.

Aruze Corporation is a Japanese manufacturer of pachinko, slot machines and other gaming products particularly for the home and commercial markets.

The company has licences to manufacture and distribute in Nevada, Mississippi and New Jersey whilst Aruze Gaming America is a 100 per cent owned subsidiary in Las Vegas and it in turn owns 21 per cent of Wynn Resorts. The company also has affiliates in Australia and South Africa.

Aruze also operates casino hotel resorts, engages in real estate leasing and amusement facilities management businesses.

The company was founded in 1969 and with its headquarters in Tokyo. It reported a 103 per cent increase in revenue in the year ending 2008 to JP¥72.1bn.

The Azure Group is investing some US\$3bn in the development of 40 hectares of land for the Bagong Nayong project and is developing the Okada Resort Manila Bay which is a 2,000 room hotel and casino plus has plans to build the worlds largest oceanarium, theatres, sports arena and the giant ferris wheel to be called the Manila Eye.

Genting Berhad Group has said it will develop 35 hectares of the prime reclaimed land and is planning to invest some US\$3bn in the Manila Bay project.

The Malaysian company (see Malaysia for full company details) owns the Genting Highlands Resort in Malaysia and holds the exclusive development rights of film giant Universal Studios in Asia.

They have teamed up with its subsidiary Star Cruises and local firm Alliance Global Inc and was initiated by Andrew Tam of Megaworld Philippines through Travellers International Hotel Group.

The group's proposed project will include the development of a theme park, state of the art theatre, amusement and cultural centres, retail and gaming centre and hotel and is believed to be behind the PAGCOR observation tower idea. This group has received a provisional licence to begin construction.



And lastly Bloombury Investments, which at the time of signing the deal with PAGCOR, had a partnership with James Packer's PBL. Of course PBL was later sold to Crown which later scrapped plans to be part of the big Philippines project saying it could not fund the venture.

It was understood that Ho was also very reluctant to invest in the project although is happy to supply gaming machines and chips to Philippine operators and due to a loophole in their agreement Packer can not go it alone.

SEC documents show that Bloombury's authorised capital was just PHP60m and its subscribed capital just PHP15m of which PHP14.9m is listed as shares of Philippines most notable entrepreneur, Pepito Alvarez. However some suggest Ricky Razon (an Arroyo ally) is the real influence behind Bloombury. He is known for his controversial deals.

On the face of it Bloombury is little more than a paper entity with nothing behind it to continue and so the future of its involvement looks a little sketchy.

Bloombury had plans to build three luxury hotels for the Entertainment City project, each with a total of capacity of

The Azure Group is investing some US\$3bn in the development of 40 hectares of land for the Bagong Nayong project and is developing the Okada Resort Manila Bay which is a 2,000 room hotel and casino plus has plans to build the worlds largest oceanarium, theatres, sports arena and the giant ferris wheel to be called the Manila Eye.

2,400 rooms, high-end retail shopping, celebrity themed dining, a showroom, museum and a major entertainment and sports centre.

LOTTERY AND ONLINE

Historically lotteries have existed in the Philippines since as early as 1833 under private enterprises called Empresa de Reales Loteria Espanolas de Filipinas.

These were conducted by the Spanish government to generate revenues until the Philippine Revolution when they were forced to stop operations.

It wasn't until the early 1930s that the idea of lottery games was born again and in 1932 the first sweepstake draw was constructed by the government to raise funds for charity.

In 1935 a new agency was set up creating the Philippines Charity Sweepstakes and it wasn't until recently that additional games to the traditional sweepstake were added.

A new innovation was the Small Town Lottery (STL) which was aimed at generating more funds for local projects and aimed at eradicating jueteng and masiao and other illegal number games in



the countryside.

In 1995 the first online lottery was launched in the Philippines, Lotto 6/42 which was a big hit but its legality was questioned although the Supreme Court ruled that it was legal and more games have since been added.

Today PCSO is the main government agency for providing charity sweepstakes, races and lotteries.

Meanwhile sports betting is a way of life to the vast majority of Filipinos from cockfighting to horseracing to lotteries and basketball.

The internet gaming market is growing rapidly in Asia and it is forecast that the country's online gaming market will see a 40 per cent annual growth rate. It was estimated that by the end of 2008 there were 6.3 million online gamers in the Philippines

In a bid to take advantage of this PAGCOR has jumped onto the online band wagon. In 2002 the company joined up with PhilWeb and now provides PAGCOR with an intellectual property licence agreement for its internet sports betting facility, the e-Game cafes, Premyo

Sa Resibo mobile game and TxTingo mobile game

The PAGCOR e-game café (PEGS) in an internet café dedicated to casino games and offers table games (13%), Video Poker (20%), slots (39%) and other games (28%).

The idea behind the café is to provide a service for those Filipinos who either don't have a computer or a credit card or who don't like using one for internet transactions.

The system is run by the PhilWeb Corporation which was set up in 2000 and is the Philippine's first listed internet company and is PAGCOR's principal technology enabler.

PhilWeb Corporation more than doubled its net income for the first quarter of 2009 showing a total of PHP96m compared to PHP46.2m for the same quarter last year.

There are now a total of 131 PEGS Cafes compared to 121 at the beginning of this year with an anticipated opening of a further 50 more cafes.

PhilWeb's subsidiary Big Game Inc operates the PAGCOR e-Games Cafes and

The internet gaming market is growing rapidly in Asia and it is forecast that the country's online gaming market will see a 40 per cent annual growth rate. It was estimated that by the end of 2008 there were 6.3 million online gamers in the Philippines

is one of several groups that own multiple cafes.

E-Game Café operators don't have to pay a franchise fee but a typical start up capital is around PHP1.2m and the monthly revenue is 28 per cent of the casino win.

Sites must be at least 200m from schools, churches etc or the company even offer a complete café set up in a 45ft shipping container offering 16 gaming computers and fixtures!

On the sports betting side Basketball jackpot.net is the first internet game offering from PAGCOR and offers online betting on the leading basketball events operated by the basketball leagues in the Philippines.

PAGCOR also offers licensing for internet sports betting operators and two types of bingo operations including mobile charity bingo (short term bingo operations usually for fundraising projects) and commercial bingo (operated in malls and bingo clubs).

The PAGCOR Principal Operator Programme for internet sports betting enables people to set up their own internet betting station. All that is required are at least four operators.

Another company eager to join the online and real gaming bandwagon is Premiere Entertainment Philippines Inc (PEP) which is in the process of establishing online and live casinos plus poker clubs throughout the country.

The company was founded in 1946 by Dr Ciriaco Santiago and his wife Adela Hermoso by entering the fledging motion picture industry.

It wasn't until 1998 that the group formed the Allied Entertainment Group to handle its non-motion picture production activities and also merged with Digiwave Solutions to concentrate on the online gaming sector.

PEP now has six subsidiaries which have been set up for the leisure, entertainment and property fields.

Last year the group saw a huge increase on its annual revenues with PHP172.8m up from PHP600,100 the previous year which is attributed to strong results from Digiwave's software products.

Earlier this year PEP executed an



Investment Agreement with UK based equity investors Global Emerging Markets Investment Advisors and Global Emerging Markets Global Yield Fund (GEM) for up to US\$10m.

Meanwhile the Cagayan Special Economic Zone (or Cagayan Freeport/CSEZFP as it is known) is a location in north eastern area of Luzon in the Philippines which is Asia's first interactive gaming jurisdiction.

The Cagayan Freeport is one of the flagship projects of the Philippine government and is managed by the CEZA (Cagayan Economic Zone Authority) who is empowered to operate, directly through licence, joint venture or lease, various tourism and gaming related activities such as casinos, without having to pass through any national government agency.

First Cagayan is a corporation at the forefront of the development of the gaming infrastructure in the zone. The company is a subsidiary of Leisure and Resorts World Corporation.

First Cagayan will manage, operate and own tourism related facilities in the call

The Azure Group is investing some US\$3bn in the development of 40 hectares of land for the Bagong Nayong project and is developing the Okada Resort Manila Bay which is a 2,000 room hotel and casino plus has plans to build the world's largest oceanarium, theatres, sports arena and the giant ferris wheel to be called the Manila Eye.

centre hub in the Economic Zone and there are a number of companies already licensed and operational.

The CSEZFP interactive gaming licence is issued to CSEZFP registered enterprises for the operation of online casino, sports books, fixed odds betting exchange, lottery and other interactive gaming, although bets can only be accepted from offshore players on offshore sporting events.

A CSEZFP licensee is subject to a special tax rate of five per cent on gross income. At the moment only 50 interactive and restrictive licences will be available although more may be issued after this date.

I-gaming has since been cited as the most vibrant business at the Cagayan SEZ which has also boosted tourism in this region. Around PHP600m in investments has been received in the Cagayan SEZ as online operators have flocked to the area over the last three years.

Meanwhile a new airport is being built and in anticipation of the influx of

tourists to the area a new tourist resort is also being developed by Sun City.

The Sun City Holiday and Leisure Resort is owned by Hong Kong based Sun City and will offer five bedroom ocean front villas with private pools, restaurants, spas, holistic centre and shopping centre. It is a site ideal for eco-tourism and will be ideal for water sports. It is due to be completed by 2010.

HISTORY

The history of the Philippines dates back to some 40,000 years ago when a pre-Mongoloid ethnic tribe called the Negritos migrated from mainland Asia and settled in the Philippines.

These were later joined by a group of Malayo-Polynesian speaking travellers whose origins came from the Taiwanese aborigines who began to populate the area now known as Malaysia, Indonesia and Madagascar.

In 1521 Portuguese explorer Ferdinand Magellan arrived in the Philippines and claimed the islands for Spain. Colonisation began when Spanish

explorer Miguel Lopez de Legazpi arrived from Mexico some 44 years later and formed the first European settlements in Cebu.

In 1571 Manila was established as the capital of the Spanish East Indies and the rule brought political unification to the islands and some elements of western civilisation was introduced.

The islands were governed as a territory of the Viceroyalty of New Spain from 1565 to 1821 and then administered directly from Spain from 1821 until 1898.

During this period the trade flourished and cities and provinces were founded whilst Roman Catholic missionaries converted many of the inhabitants to Christianity and founded schools and hospitals.

European migration created a new class of Criollo (Spaniards born in Philippines) and Mestizo (Spanish and Malayo-Polynesian mix) and by 1877 the population was just over 5.5 million.

In the 1700s the Philippines opened its forts to world trade and the economy increased whilst in the 1800s the Suez Canal opened reducing travel time between Spain and the Philippines.

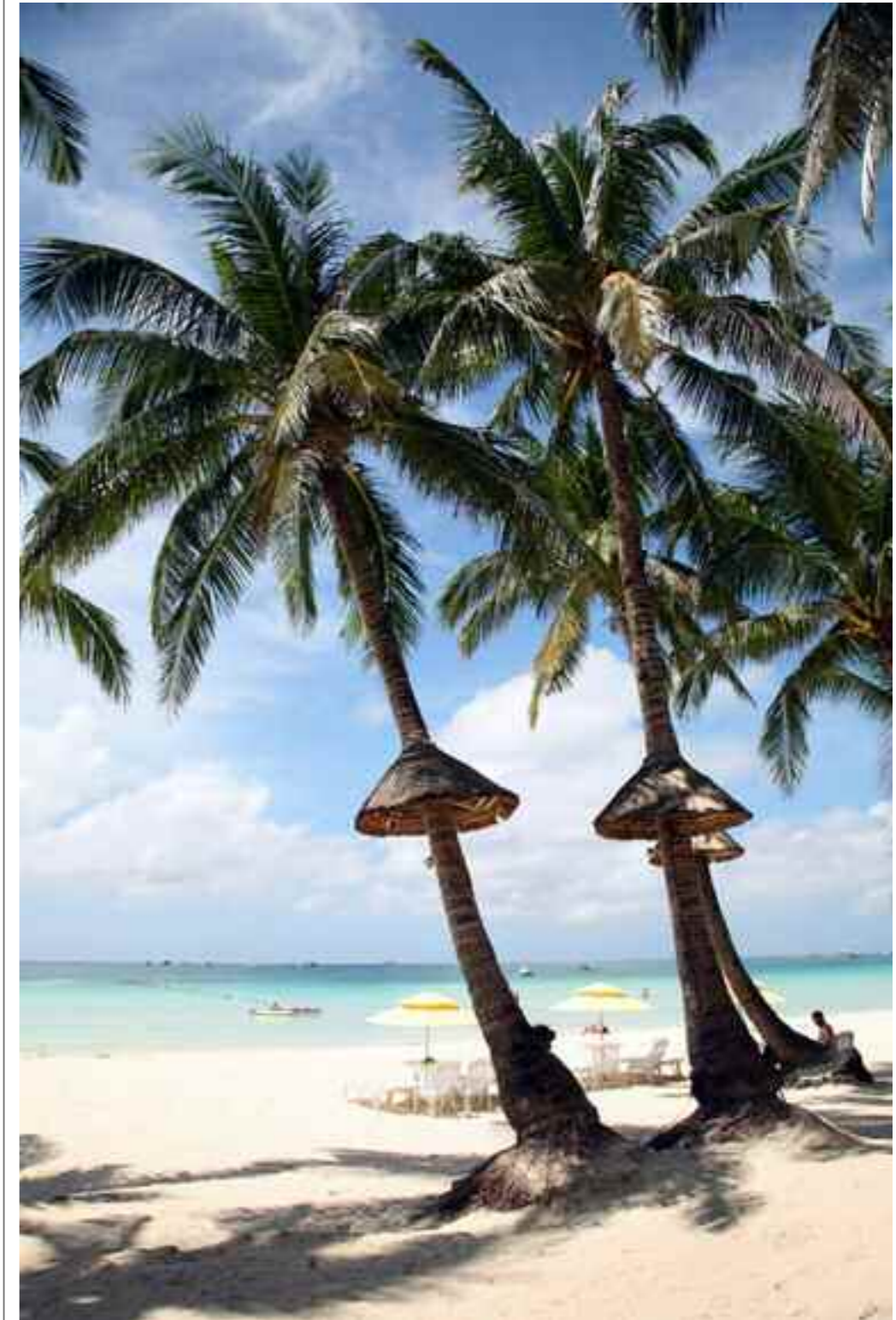
The ideals of revolution began to spread in the second half of the 19th century and the Philippine Revolution began after three priests were executed. In 1892 the Katipunan group sought independence from Spain and the revolution ended in 1897 just a year before the Spanish American War began in Cuba.

The Philippines finally declared independence from Spain in 1898 and the following year the First Philippine Republic was established and Spain ceded the Philippines, along with Cuba, Puerto Rico and Guam to the US. In 1899 the Philippine-American war began and would continue until 1913.

The Philippines status as a colony changed when it became a self-governing commonwealth in 1935 although plans for independence were interrupted when World War II began and Japan invaded the country and were defeated. It wasn't until 1946 that the Philippines gained independence from the US.

Years of political instability followed although the 1960s sparked a period of economic growth.

The 20 year rule of dictator Ferdinand



Marcos came to an end in 1986 when People Power Revolution forced him into exile in Hawaii and installed Corazon Aquino as president, the first female president.

The return to political stability was hampered by coup attempts however and

PEP now has six subsidiaries which have been set up for the leisure, entertainment and property fields.

Fidel Ramos was elected in 1992 and this period marked greater stability and progress.

Gloria Macapagal Arroyo took over as President in 2001 after Joseph Estrada was forced to resign by the People Power Movement.



SINGAPORE: VITAL STATISTICS
Capital: Singapore
Population: 4,657,542
Land Area: 692.7 sq.km
Median age: 39 years
Languages: Mandarin (35%), English (23%), Malay (14.1%), Hokkien (11.4%), Cantonese (5.7%), Teochew (4.9%), Tamil (3.2%), other (1.7%)
Currency: Singapore Dollars (SGD)
Government: Parliamentary Republic
Chief of State: President S R Nathan (since September 1999)
Head of Government: Prime Minister Lee Hsien Loong (since August 2004)
Cabinet: Appointed by president, responsible to parliament
Casinos: 0 (2 IR due to open 2009/10)
Casino Operators: 2 (Genting/LVS)
Casino Slots: 2,000 in slot clubs (plus another 3,300 when the IRs open)
Gaming Tables: 1,500 (expected in the IRs)
Gaming Arcades: Approx 100
Gaming Revenue: SG\$4bn (Singapore Pools turnover)

The Little Big Gaming Planet

The eyes of the gaming world switch from Macau to Singapore in 2010 as two of the planet's largest operations open on the smallest nation in Southeast Asia

Singapore is an island city-state located at the southern tip of the Malay Peninsula and is the smallest nation in Southeast Asia.

It is actually made up of one main island with 63 surrounding islets and still today is the busiest port in the world with over 600 shipping lines using the port.

The country is linked to Malaysia by two causeway bridges and the islands of the Riau archipelago of Indonesia are accessible by ferry whilst Thailand and the Philippines are a short plane journey away.

Singapore is the Asian hot spot in many respects at the moment and although not tagged as the next Macau or Philippines, it is however virgin casino territory with a new gaming law recently introduced.

Since independence Singapore's economy has grown by an average of nine per cent each year and by the 1990s it became one of the world's most prosperous nations.

Today it is the fifth wealthiest country in the world in terms of GDP whilst it was also ranked as the tenth most expensive

Singapore is highly cosmopolitan and diverse and is a major supplier of electronic components, leader in shipbuilding and an important financial area with more than 130 banks.

city in the world in which to live (the third in Asia after Tokyo and Osaka).

Singapore is highly cosmopolitan and diverse and is a major supplier of electronic components, leader in shipbuilding and an important financial area with more than 130 banks.

The city gives the impression of order and modernity with a public transport system which puts many in the West to shame and a skyline of high rise apartment blocks where most of the inhabitants live.

Meanwhile Singapore has long been a welcoming stop for travellers from its days as a fishing village and shipping port and today aims to offer a diverse culture for the discerning 21st century tourist.

In 2008 Singapore saw a total of just over 10 million visitors with 50 per cent of the visitors coming from Indonesia, China, Australia, India and Malaysia.

Tourism generated an estimated SG\$14.8bn last year, a five per cent growth over 2007 figures even though visitor figures declined by around two per cent.

It seems that its growing attractiveness as a destination is a key contributory factor to the growth plus competitive air travel options and greater accessibility.

The country offers a variety of activities from the old ethnic quarters offering a blast from the past to the new futuristic integrated resort centres being built which are offering a host of entertainment and leisure facilities.

In September 2008 Singapore hosted the annual Formula 1 Sing Tel Singapore Grand Prix and in 2010 it will host the first Youth Olympic Games. Meanwhile 2009 marks the country's 50th year of self-governance

It is said that everything in Singapore starts and ends with food. The multi cultural dining scene is one of the key elements in this country whilst a walk down Orchard Road can provide anyone

with some retail therapy.

Of course Singapore also offers a variety of parks and natural beauty. Visitors can take in the huge 350 metre man-made Marina Barrage dam built in the city as a reservoir which is now ideal for water sports and a backdrop from performances, whilst the Bukit Timah Nature Reserve or Pulau Ubin (an island offshore Singapore) can take nature loving visitors back to basics.

Meanwhile in 2004 Lee Hsien Loong, the eldest son of Lee Kuan Yew (first Prime Minister) became the third Prime Minister of Singapore and a year later he introduced several policy changes including the reduction of national service and the legalisation of casino gambling.

The legalisation of gambling was part of an ambitious plan to make Singapore a more exciting tourist destination and

hopefully doubling visitor figures to around 17 million by 2015.

Also launched was the Urban Redevelopment Authority of Singapore which was set up with the aim of transforming the city to increase Singapore's appeal and attract more tourists.

The idea is to light up the city to transform it into a vibrant nightspot particularly for when events and festivals take place. The most prominent transformation is in the city skyline in the Central Business District and by this year every skyscraper will have bright neon lights whilst lights have also been placed on seats and trees in Orchard Road and new lighting systems on the Marina Bay.

Meanwhile two integrated leisure and entertainment resorts Marina Bay Sands and Genting's Resorts World at Sentosa

Tourism generated an estimated SG\$14.8bn last year, a five per cent growth over 2007 figures even though visitor figures declined by around two per

are due to open at the end of this year and mid 2010 respectively.

NEW GAMING TERRITORY

Although the inhabitants of Singapore under the Raffles era were engaged in gambling he saw these as vices and disapproved of such activities.

However his counterpart William Farquhar saw these 'vices' as opportunities to obtain revenues and issued licences for gaming tables whilst Raffles was away.

When Raffles returned in 1822 the two argued and Raffles ordered the closure of all gambling farms and cockpits under a new regulation.

However in 1823 when John Crawford came along he permitted ten gambling houses in town and by 1826 gambling was the most lucrative tax contributing



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almost half of the tax-farm revenue.

In 1827, a year after Crawford's reign ended, gambling was prohibited again however this time it merely drove it underground and gambling began to flourish. After numerous attempts to reinstate gambling laws the ban continued and up until now the only form of legal gambling in Singapore has been parimutuel facilities and horse racing.

However in 2005 the Prime Minister Lee Hsien Loong reversed decades of ruling party opposition to approve two casino resorts and therefore hoping to emulate Macau's success.

The idea behind the two integrated tourist resorts (IRs) was to increase tourist numbers whilst licensing a casino at each resort would ensure huge profits to then subsidise non-gaming attractions and thus drawing in more visitors.

The government stipulated that each casino must be no larger than 161,000 sq.ft with a maximum of 2,500 gaming machines each and make up less than five per cent of the entire tourist area.

Singapore basically wanted two resorts featuring a MICE (Meetings, Incentives, Conventions and Exhibitions) orientated hotel on the bay and a theme park. The government then offered bidders two IR sites in Marina Bay and on Sentosa, an island off Singapore's south shore.

In 2006 Singapore was ranked Top Convention City in Asia for the eighth time and third best in the world. The Marina Bay Sands resort will add 1.2 million sq.ft of convention space when it is completed.

In 2006 business and MICE visitors constituted around 28 per cent of Singapore's visitor arrivals and accounted for 35 per cent of the SG\$4bn in tourism receipts.

Singapore's Integrated Resorts (IRs) are now said to be the world's most expensive casino resorts constructed costing an initial estimation of US\$6bn which has since risen to more than US\$8bn.

Las Vegas Sands won the bid for the Marina Bay site by promising Asia's largest convention centre with 120,000m sq.m and space for 45,000 delegates and exhibition hall for around 2,000 booths.

The Marina Bay project also includes a lotus-inspired Art Science museum, shopping mall, two Broadway style theatres, floating crystal pavilions,



celebrity chef restaurants and night clubs.

There are 2,600 hotel rooms located in three cascading towers with 53 stories each, topped by an extraordinary sky park which offers a 360 degree view of Singapore. The sky park is a one hectare roof top tropical oasis with gardens, restaurants and swimming pool. The casino's table count will reach 1,000.

LVS has of course had huge financial problems recently. It sold off its Grand Canal Shoppes in Las Vegas to fund the Macau Cotai Strip project but then saw revenues slump in the US with the deteriorating US economy whilst travel restrictions in China slowed Macau's gaming growth.

It is understood LVS Chairman Sheldon Adelson has even put his own money into the company and suspended developments in Macau to concentrate on the Singapore project. The Marina Bay Sands project is said to be costing around US\$4.5bn.

Meanwhile three formal bids were submitted for the Sentosa development in October 2006 with the licence finally granted to Genting Singapore who beat

The legalisation of gambling was part of an ambitious plan to make Singapore a more exciting tourist destination and hopefully doubling visitor figures to around 17 million by 2015.

Kerzner International (partnered with Singapore's CapitaLand) and Vegas' Eighth Wonder (with PBL, Melco and Isle of Capri Casinos).

The tourist island of Sentosa attracts more than five million visitors a year. It is located in the south of Singapore and consists of around 20-30 landmarks such as Fort Siloso which was built as a fortress to defend against the Japanese invading in World War II.

The Genting group currently operates casinos and IRs in Australia, Americas, Malaysia, Philippines and the UK.

Genting International is a subsidiary of Genting Berhad which was set up to develop business outside of Malaysia. The group operates the only legal casinos in Kuala Lumpur which is popular with Singapore visitors.

Resorts World is 49 hectares in size and will feature the world's largest oceanarium with 700,000 fish, a Maritime museum, water park and Festival Walk which recreates the buzz of the Strip in Las Vegas with outdoor sound and lights shows (by creator of Vegas' Fremont Street Experience).

In addition Genting is bringing Singapore its first and only movie-theme park with Universal Studios which will feature seven themed zones and 24 rides and attractions

There will be six hotels with 1,800 rooms ranging from luxury to Hard Rock plus 40 venues for meetings. The casino will be located underneath the Maxim Residences hotel and is due to be completed by 2010.

Estimated project costs are around US\$4bn. An extra US\$53m will have to be spent on a new 710 metre causeway bridge to link Sentosa to the mainland and merge with the current causeway bridge.

To encourage high-roller gamblers to Singapore's new casino developments the government introduced the lower tax of five per cent on net revenue compared to 15 per cent for the mass market.

Shufflemaster's Todd Haushalter said: "With low tax rates, a reputation as a place rich people like to visit, a stable government and the wonderful offerings of the resorts, Singapore will be as fine of a gaming destination as there is in the world.

In 2006 business and MICE visitors constituted around 28 per cent of Singapore's visitor arrivals and accounted for 35 per cent of the SG\$4bn in tourism receipts.

"Despite only having two properties they each have five times as many tables as Bellagio in Las Vegas. Low taxes also could mean high commission rates for junkets and that means delivery of high rollers."

It is estimated that high-rollers constitute around US\$10bn a year for Asia's casinos in terms of revenue whilst Singapore can capture between five and 10 per cent of the region's VIP market.

There have been some concerns over the affect of the new Singapore casino resorts on the Malaysian Genting Highlands. At the moment Singapore visitors account for around 20 per cent of the clientele at Genting Highlands.

However some say the plan to introduce a SG\$100 daily entry fee or US\$2,000 annual membership fee for local citizens visiting the Singapore casinos will still push some residents to journey to Genting in Malaysia. On the other hand a Muslim ban on the Genting casino in Malaysia will in turn drive many to Singapore.

Meanwhile in May this year the Lim family apparently sold its entire stake in the Singapore unit for SG\$615m. The

family holds nine per cent in Genting Singapore even though the family will remain in control of the development via its Malaysian flagship company.

According to some sources the Singapore resorts will need to produce annual earnings, before taxes (EBITDA) of US\$1bn whilst the number of visitors will need to around eight million.

However the casinos have so far escaped the government's smoking ban which has been slowly instigated over the last year or so. However casinos will be required to have separate smoking areas although the IRs have not yet revealed their plans.

Meanwhile in April 2008 the Casino Regulatory Authority was set up under the Ministry of Home Affairs to administer and enforce the Casino Control Act 2006. The act includes the following points:

- Once two casino licences are in force under the current act, no further licences will be permitted for a period of 10 years.
- Main shareholder of casino operator cannot participate in other casino operations.
- The age limit for players entering casinos is 21 years.
- Taxes are five per cent of gross gaming revenue for month from VIP players and 15 per cent of GGR per month from mass market players.
- The tax rate is set for 15 years.
- A five per cent penalty fee is added for late payments rising to but not exceeding 50 per cent.
- There are three types of exclusion orders: Family exclusion, voluntary self-exclusion and third party exclusion.

The CRA began as a division in the Ministry of Home Affairs and today is headed by Chief Executive Mr T Raja, senior assistant commissioner of police whilst Richard Magnus is Chairman of the CRA board.

In April this year Richard Magnus addressed an authority meeting and said: "Singapore is rapidly emerging as a land based gaming jurisdiction that will be frequented by international patrons. Unlike other gaming jurisdictions in which most regulators are under economic or revenue units, our act and the CRA is under the responsibility of the Ministry of Home Affairs. This is right for Singapore.

“The act is based on the Government Protection Model with some value additions from the Gambler Protector Model. In other words the act aims to protect the industry by ensuring that gaming in the casinos is conducted honestly and is free from crime. It also tries to protect Singaporeans from gambling beyond their means.”

Earlier this year the CRA finalised its first version of the technical standards for the Electronic Gaming Machines (EGM) which will operate in the casinos.

Any company who now wishes to manufacture, supply or test EGMs for use in Singapore casinos must be approved by the CRA.

Approved testing agencies will be given the Status of Singapore Recognised Testing Laboratories (SRTL). To date (July 2009) BMM Australia Pty Ltd based in Melbourne and Sydney and Gaming Laboratories International have both been approved as SRTLs.

Likewise junket promoters must also apply for a licence from the CRA. All approved testing laboratories or junkets will be listed on the CRA website.

Meanwhile in 2005 the National Council on Problem Gambling was set up by the Ministry for Community Development, Youth and Sports to work alongside the CRA.

In 2008 the government increased the NCPG’s annual public education budget from SG\$1m to SG\$3m whilst an advertising and media agency was appointed to advise on media strategy.

OTHER GAMING

There are approximately 100 privately run gaming clubs which currently exist in Singapore. It is said each club can have a maximum of 40 machines and there are around a total of 2,000 machines.

There are also some video amusement game arcades throughout Singapore and Zone X is a leading player in the Family Entertainment Centre market.

Zone X has nine outlets throughout the island providing amusement games, photo sticker machines and American pool games.

The brand is a subsidiary of LC Development Ltd which is a company which owns hotels throughout the world including Crowne Plaza and Holiday Inn brands.

Another company active in the amusement sector is Valibel Technologies which is an operator and distributor of



amusement products for companies such as Sega, Namco, Capcom, Stern Pinball and Konami. The company manages one such location at the Raffles Marina which is an arcade featuring video games for young adults.

Valibel has been in the FEC business for 20 plus years and today has 20 private clubs, 10 FECs under the Funland and Cyberbyte brands and one Cyber Lifestyle Café and a mega snooker hall which was launched in 2002. The company operates a total of 2,000 machines and also now operates in other parts of Asia including Thailand, Malaysia, Hong Kong, Taiwan and India.

Meanwhile illegal gambling syndicates and triads were a major problem in the 1960s and in a bid to curb this activity the government introduced Singapore Pools as the country’s legal lottery operator in 1968. It began with a simple manual version of Toto followed by Singapore Sweep in 1969. Tickets were sold from small stand alone booths around the island.

According to some sources the Singapore resorts will need to produce annual earnings, before taxes (EBITDA) of US\$1bn whilst the number of visitors will need to around eight million.

The four digit numbers game was brought in during the mid 1980s and timed with the company’s changeover from manual operations to computerised gaming system. Today 4D is the most popular gambling pastime in Singapore with 53 per cent of people participating in the lottery.

SCORE, Singapore’s first legal football betting game was launched in 1999 followed by STRIKE in 2002 for international football tournaments.

As from 2004 the company is owned by Singapore Totalisator Board which is a statutory board under the Ministry of Finance.

Singapore Pools holds more than 250 draws per year and offers four lottery games as well as operating sports betting for Singapore and international football matches and motor racing.

There are around 300 sales terminals in Singapore whilst live betting is operated via PoolzConnect (phone betting) or via Singapore Pools’ two SportsBuzz

entertainment venues.

These are new entertainment lounges located in Paradiz Centre (PoMo) and in Singapore Turf Club. They feature huge projection screens and LCD screens with football and motor racing teams. Singapore Pools has a yearly turnover of SG\$4bn.

For the horseracing followers, Singapore Sporting Club was first formed by a group of racing enthusiasts in 1842 and the first race took place the year after.

In 1924 the club changed its name to Singapore Turf Club and three years later sold its premises to the Singapore Improvement Trust and bought part of the Bukit Timah Rubber Estate which it later moved to.

Racing was halted during World War II, and then in 1960 members of the public were finally permitted to attend races, which previously had been restricted to members and owners.

In 1981 the SG\$18m North Grandstand

was opened which enabled up to 50,000 people to be accommodated in the two stands.

The off-course betting service was introduced in 1995 including ACCESS hand-held terminals, Telebet and two off-course betting centres. In 1999 the club moved to its new premises in Kranji. In 2005 the Horseracing Channel 88 was launched over digital cable TV whilst a new package of benefits was introduced for payouts.

The Singapore Turf Club Riding Centre is currently being constructed and due to be completed this year and is aimed at making horse riding more affordable to the public and schoolchildren.

Meanwhile earlier this year the club introduced MobileTote enabling racing fans to place totalisator bets, enquire about information and manage their accounts from any location in Singapore or overseas using their mobile phone.

Meanwhile the Cybersports and Online Gaming Association (Singapore) or SCOGA was founded by a group of enthusiastic players in 2008.

They wanted to make a difference in the local gaming scene and promote Cybersports and also enable Singapore to compete in the international eSports competitions.

In May this year SCOGA co-organised the first ever Licence2Play gaming event which saw 250,000 visitors coming to view new gaming products.

HISTORY

The earliest written record of Singapore was a Chinese account from the third century describing the island of Pu Luo Chung (literally translated as ‘island at the end’).

Then in the 13th century a mythological tale tells the story of a prince who landed on the island and after seeing a lion took this as an auspicious sign and founded a settlement called Singapura (Lion City).

Between the 16th and 19th centuries the Malay archipelago which ruled was gradually taken over by European colonial powers beginning with the arrival of the Portuguese at Malacca in 1509 and later followed by the Dutch.

The island was little known however until 1819 when Sir Thomas Stamford Raffles arrived from the British East India Company and in 1824 the British bought the Singapore island.

In 1822 Raffles returned to Singapore after leaving Major William Farquhar in charge.

In May this year the Lim family apparently sold its entire stake in the Singapore unit for SG\$615m. The family holds nine per cent in Genting Singapore even though the family will remain in control of the development via its Malaysian flagship company.

Racing was halted during World War II, and then in 1960 members of the public were finally permitted to attend races, which previously had been restricted to members and owners.

In May this year SCOGA co-organised the first ever Licence2Play gaming event which saw 250,000 visitors coming to view new gaming products.

However Farquhar had started selling licences for gambling and selling opium to generate revenue and Raffles set about drafting new policies for the settlement and later replaced Farquhar with John Crawford.

Over the decades Singapore grew to become an important port and with the advent of steamships and the production of rubber and tin in Malaya it became one of the world’s major ports.

The opening of the Suez Canal in 1869 also heralded a new era of prosperity for Singapore and by 1880 more than 1.5 million tons of goods were passing through Singapore each year. The Straits were made a British Crown Colony in 1867 which continued until 1946.

Meanwhile Singapore was not really affected by World War I but during World War II Singapore’s Allied Naval base became an obvious military target for the Japanese and it became the site of the worst British naval defeat during the war.

By 1942 the Japanese had conquered the Malay peninsula who then made their way to Singapore. The allies eventually surrendered and some 130,000 Indian, Austrian and British troops became prisoners of war.

Singapore was renamed Syonan-to (Light of the South Island) by the Japanese and was occupied until 1945. This was an extremely dark period of suffering and hardship. In 1945 the Japanese surrendered to the allies and British troops returned. Much of the infrastructure had been destroyed and the economy did not begin to recover until late 1947 although it took years for it to return to pre-war levels.

The Straits Settlement was dissolved in 1946 and Pengany and Malacca became part of the Malayan Union and Singapore became a separate British Crown Colony. In 1959 it became self governing and in 1963 joined the newly independent Federation of Malaya, Sabah and Sarawak to form Malaysia.

After a period of friction between Singapore and Malaysia the country separated its links with Malaysia in 1965 and became an independent republic.

Initially there were problems with unemployment, housing and education. However by the mid 1970s it became the third largest oil refining centre in the world with further economic growth in the 1980s.

In 2004 Lee Hsien Loong became the third Prime Minister of Singapore and he introduced several policy changes.



Land of the morning calm

South Korea balances its domestic gaming needs with foreign-only operations, including the one and only locals casino and ski resort - Kangwon Land casino

Also known as the Land of the Morning Calm, South Korea occupies the southern half of the Korean peninsula which extends some 1,100 kilometres from the Asian mainland.

The country is flanked by the Yellow Sea to the west and the Sea of Japan to the east whilst the Korea Strait and East China Sea runs across the southern tip

The country can be divided into four general regions. The east is mountainous and has narrow coastal plains, the west has broad coastal plains, rivers and hills, the southwest is a mixture of mountains and sand valleys and the southeast is a region dominated by the broad basin of the Nakdong River. As a very mountainous country only 30 per cent of the land is lowlands.

Technology plays a key role with the world's second walking humanoid robot developed in 2005 and a robot park is due to be built this year. Meanwhile well known conglomerates from South Korea include Samsung, Hyundai-Kia, LG and Daewoo.

Some 3,000 islands lie off the western and southern coasts and Jeju-do, located about 100 kilometres off the southern coast, is the country's largest island and features Hallasan volcano South Korea's largest point. There are also 20 national parks in South Korea

South Korea has a population of almost 50 million and is one of the most densely populated regions in the world. North Korea has a population of around 23 million.

There are 16 divisions in total including one special city (Seoul), six cities, eight provinces and one special self-governing province (Jeju-teukbyeoljachido)

Most South Koreans live in urban areas following rapid migration from the countryside with the country's expansion

in the 1970s, 80s and 90s.

Seoul has a population of 9.8 million and this makes it the second largest metropolitan city in the world.

It has the fourth largest economy in Asia and the 15th in the world and is also one of the world's top ten exporters and a leader in electronics, automobiles, ships, machinery and robotics.

Today it has an advanced economy and is a member of the OECD and classified as a high-income economy by the World Bank.

Technology plays a key role with the world's second walking humanoid robot developed in 2005 and a robot park is due to be built this year. Meanwhile well known conglomerates from South Korea include Samsung, Hyundai-Kia, LG and Daewoo.

Of course like elsewhere South Korea's economy has been hit hard by the global recession and the economy is expected to contract by two per cent this year - the first minus growth in more than a decade.

Tourism is a key part of the country's

revenue and in 2008 the country saw some 6.9 million tourists visitors who spent US\$9bn. The majority of visitors come from Japan, China, Taiwan and Hong Kong.

In 2007 the number of Chinese tourists visiting the country reached 1.07m whilst the Japanese totalled 2.12m. South Korea's plan is to attract 7.5 million tourists this year.

A weaker currency last year attracted many visitors whilst the Korea Tourism Organisation is improving tour infrastructures and developing new tour programs.

In addition the country is jumping onto the medical tourism bandwagon with hopes that this will boost figures and attract some 200,000 medical tourists by 2013.

At the moment the country saw some 9,000 foreigners visiting Korea for medical treatment during the first quarter of 2009. It is hoped that its cheaper medical services will be as popular as those in Thailand, India and Singapore.

The tourism sector is governed by the Ministry of Culture and Tourism and recently the Korea Tourism Investment Center (KOTIC) has taken over the tourist site complex development projects from the KTO and local administrative bodies to help boost the industry.

Although visitor figures are not expected to drop significantly it seems the development of tourism sites in South Korea has been sluggish due to the economic crisis.

There has been a conscious effort to build tourism complexes throughout the country and success stories include those such as the Jungmun Complex in Jeju. This includes accommodation, golf course and botanical gardens. The Jeju region has seen a huge increase in tourism revenue since the complex opened. Other complex resort locations are now being built around South Korea.

Meanwhile both North and South Korea continue to claim sovereignty over the entire peninsula and any outlying islands and with longstanding animosity after the war the two signed an agreement to pursue peace.

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However despite the Sunshine Policy the progress was complicated by North Korean missile tests and by the middle of this year the relationship between the two remains tense. North Korea claims that the ceasefire treaty is now no longer valid and they share the world's most heavily fortified border.

GAMING INDUSTRY

The history of gambling legislation in South Korea began when the Korean government passed a law to prohibit any type of gambling activities back in 1961.

This was amended a year later and the government legalised gambling for foreigners only in order to boost tourism income. However the government's regulations were unclear and many foreigners were just confused.

And so a further amendment was added that permitted foreigners to gamble in casinos which were exclusive tourism facilities for foreigners, essentially in hotels.

The Olympos Hotel and Casino in Incheon became the first casino to open in 1967 followed by the Walker Hill Hotel

and Casino in 1968 operated by the Paradise Group. This group later took over the Incheon casino.

Ironically the amendment was too liberal and between 1962 and 1968 local citizens entered casinos to gamble and a new law established in 1969 finally tightened up regulations threatening casinos with closure if they allowed local residents to enter.

During the 1970s six casinos were built in existing tourist destinations including mountain and beach resorts and in the 1980s and 1990s several more opened on the island of Jeju which increased tourism revenues dramatically.

In 1980 the first casino in the Kangwon province, the Sorak Park Hotel and Casino, was opened and the government also loosened its casino license application procedure and six more casinos opened on Jeju bringing the total today to eight casinos.

The Department of Culture and Tourism was given the responsibility of overseeing the casino licensing and regulations.

In 1995 the government permitted local players to be able to gamble in the Kangwon province aimed at revitalizing the dilapidated mining towns which had existed there. In 2000 the Kangwon Land Casino opened its doors to domestic players and saw some 208,000 visitors during the first three months of opening.

The initial investment in Kangwon Land Casino was around US\$100m and the central and local governments invested 51 per cent whilst private investors provided the remainder.

The site was developed in two phases. The first consisted of a small temporary casino which had 30 tables and 480 slots and was attached to a hotel with 199 rooms. Although it only had a capacity for 700 people the casino recorded 3,200 visitors per day initially.

In March 2003 the main casino opened with 132 tables and 960 slots and is attached to a hotel with 477 rooms and a theme park. The small casino closed and was converted into the golf resort.

The license for domestic gambling at this casino is valid until 2012 although some believe that more domestic licenses could be issued after this date.

Many suggest that if this is the case, Jeju is an obvious choice as being an island the entry of players will be easily controlled and monitored and would permit the government to enforce certain



restrictions such as the number of times players can visit.

The Korean gambling market and been up and down over the years. In the mid 1990s Macau's new airport lured many Asians away from the Korean market whilst in late 1990s there was a surge in visitors due to the devaluation of the Korean currency. Back in 1998 casino revenues reached US\$116m and US\$243m in 1997.

In 2006 the foreign only casinos saw revenues rise to US\$505m and visitors of around 99 million whilst the biggest earner is Kangwon Land with annual revenues of around US\$1bn.

Hotel and LVegas on Jeju Island secures around 39 per cent of the casino revenue making it the top earner on Jeju and fifth overall. The other top casinos are run by

The Olympos Hotel and Casino in Incheon became the first casino to open in 1967 followed by the Walker Hill Hotel and Casino in 1968 operated by the Paradise Group. This group later took over the Incheon casino.

Paradise and 7Luck.

Meanwhile, as South Korea began to observe Macau's boom and positive impact on revenue the South Korean government decided to stimulate competition in its own country's casino market by forming the Grand Korea Leisure Corporation, a subsidiary of the Korea Tourism Organisation. In 2006 the company opened three casinos under the 7Luck brand.

The year 2006 also saw the sector see some changes as a result of the video lottery game scandal and the following year the National Gaming Control Commission was established.

All the gaming industries came under this commission from lotteries, to horse racing, sports betting and casinos.



Its rights included a maximum limit on total sales of gaming industries and the approval of new games, branches or betting shops.

CASINO GROWTH

Casino gaming has expanded since 2006 when an amendment to the law and new rules on investment in free economic zones aided the expansion, particularly on Jeju Island.

At this time Jeju was designated a Free International City with the local government using its newfound autonomy to provide visa-free access to mainland China visitors.

Compared to the effort involved in obtaining visas as players visited Macau or Hong Kong this obviously appealed to the Chinese in particular and opened the floodgates in this region.

On balance however as the Korean casinos can not permit locals it of course relies solely on foreign trade. Jeju sees around five million visitors from the Korean mainland each year and offers a natural landscape and duty free shopping which Macau cannot compete with.

Meanwhile the 12.6 per cent casino tax in South Korea means the country can offer higher commission rates for junkets operators of up to 2.15 per cent.

The South Korean casinos are heavily reliant on Japanese high rollers and customers make up over 50 per cent of the player base followed by Chinese and Hong Kong players. Wealthy Korean residents who hold foreign passports are also key players.

In order to attract repeat customers the casinos often host special events and

Casino gaming has expanded since 2006 when an amendment to the law and new rules on investment in free economic zones aided the expansion, particularly on Jeju Island.

private parties and tournaments aimed at retaining the loyalty of the Japanese VIP players.

Meanwhile the Philippines is the Koreans leading destination for gambling outside of their home country followed by Macau and the US.

South Korea has 17 casinos today, eight of which are located on Jeju Island. All the casinos are open to foreigners only, except Kangwon Land which is open to local citizens.

The Korea Casino Association was set up in 1995 to promote and develop the casino industry and is an official body recognized by the Ministry of Culture and Tourism.

The gaming regulations include:

- Casino operators can only operate government certified casino equipment
- Casino operation is only permitted in the licensed area.
- Except for the Kangwon Land casino, no other casino can allow domestic customers to play in the casino.
- Casinos have to report every financial transaction to the authority.
- Casinos can not allow underage persons (19 years minimum) to gamble
- Casino operators pay the Tourism Development Fund up to 12.6 per cent of gross sales.

In 2008 the government announced its plan to control gambling by limiting total annual revenue including that of horse racing, lottery and casinos to 0.58 per cent of the GDP (US\$13.4bn)

At the moment the industry's earnings account for 0.67 per cent of the GDP which is higher than the average for members of the Organisation for Economic Cooperation and Development.

South Korea also wants to introduce an e-card system which will cap excessive betting of gamblers and tighten regulations on the entry of new players in the industry.

Meanwhile the operators of the main casinos include:

PARADISE GROUP – this group was founded in 1972 with interests in hotels, tourism, manufacturing and construction. The group has four casinos in South Korea – Walker Hill in Seoul, Casino Busan, Grand Casino in Jeju Island and Golden Gate in Incheon and the Paradise Safari Park Casino in Kenya. The group saw revenues in 2008 of KRW280,880m.

GRAND KOREA LEISURE COMPANY - this company has three 7Luck branded casinos in South Korea, two in Seoul and one in Busan which are all located in downtown areas of the main cities.

GKL is a subsidiary of the state run Korea Tourism Organisation which was set up in 2005 to develop the country's casino industry. Profits from the casinos are used to establish cultural and tourism infrastructure in Korea.

As part of a plan to advance public organisations the KTO will sell 49 per cent of its share in GKL by 2010 – 30 per cent this year and the remainder in 2010.

KTO was established in 1962 as a



government invested organisation to develop tourism in Korea. Since then the group has helped establish resort complexes, improve accommodation and expand the infrastructure of tourism.

GKL recorded KRW122.7bn in sales during the first quarter of this year which was a 42 per cent rise on the previous year.

KANGWON LAND – this group runs the Kangwon Land, High 1 Resort which saw four million visitors last year and is the only casino in South Korea to permit local players.

The 10 year old resort is a popular ski resort today and the company saw yearly revenue results in 2008 of KRW11,488bn with a net income of KRW3,087bn. The casino saw the highest revenues with 10,977bn.

GILLMAN INVESTMENT ASIA (GIA) - This is a subsidiary company of The Gillmann Group, which founded the Hotel and Vegas Casino in Jeju Island. This is the company's only operation in Korea. The Gillmann Group was founded in 1989 as the American Heritage Corporation and

today is at the forefront of international and tribal gaming.

The company's first casino project was the San Diego Barona Casino and Bingo followed in 1996 by a project in California for the Bishop Paiute Tribe.

The group has five casinos in California, two in Costa Rica, two in New Mexico, one in Aruba and one in Idaho.

The LVegas casino was the brainchild of Sang H Park who wanted to bring a boutique, high roller casino hotel to Korea. He took the idea to the Gillmann Group and the subsidiary was set up. It raised funds to buy a publicly traded company Nasign Inc through which they then purchased the Crown Hotel in Jeju and remodelled it into a 213 room hotel and casino.

During the first eight months of 2008 the LVegas saw gaming revenues of US\$70m. Park is now looking to build a 2,000 room resort on Jeju by 2010 and is negotiating land purchase via GIA. The project is expected to cost around US\$800m with a 60,000 sq.ft casino with a clear focus on high rollers with 30 VIP rooms.

Lottery operators include Nanum Lotto (lotto), Korea Racing Authority, Sports Toto, Seoul Olympic Sports Promotion Foundation and Korea Lottery Association. The lottery sector has a 17 per cent share of the gaming industry whilst the sports betting sector has a 10 per cent share.

LOTTERIES AND ONLINE

Before the Lottery Commission was established 10 different organisations administered lottery businesses under separate laws and regulations in Korea.

The market was oversaturated and led to excessive competition and created problems for the lottery operations whilst funds were channelled into different funds.

However the Korean Lottery Association was set up in 2006 under the control of the Lottery Commission in Korea to monitor and control the market.

Funds are now sent to housing projects and welfare for veterans, supporting cultural and artistic activities and working with other welfare groups.

Operators include Nanum Lotto (lotto), Korea Racing Authority, Sports Toto, Seoul Olympic Sports Promotion Foundation and Korea Lottery Association. The lottery sector has a 17 per cent share of the gaming industry whilst the sports betting sector has a 10 per cent share.

Nanum Lotto Inc is South Korea's official

national lottery service provider which was set up in 2007 to run domestic online lottery businesses.

Nanum is a private company and following an international tender in 2007 won the right to operate South Korea's national lottery lotto games which had a turnover of around US\$1.69bn last year.

The five year licence began in December 2007 and games will be offered via 9,000 online terminals.

Intralot is a minority shareholder in the Nanum Lotto consortium and is the main provider of the technology and installed the terminals and peripheral equipment.

Asia currently accounts for 24 per cent of revenue from games operated by Intralot around the world of which 7.6 per cent comes from Korea.

In May this year the Board of Audit and Inspection launched a probe into the possible computer aided manipulation of prize drawings and other issues by Nanum Lotto including the initial selection process.

Meanwhile Kolotto handles the lottery venture for the Korea Tourism Association which recently launched a new selection based lotto for foreign players called Daily Lotto 5/30.

This is an online lotto game with a draw made every day. Tickets are issued by Lotto ticket vending machines.

Korea Lottery Services was set up in 1988 to run domestic and international lotteries and the operation of an online lottery system which was launched in 2003.

The company began with instant housing lotteries in 1990 and has since run instant lottery tickets and promotional coupons.

It's most popular game Lotto is now operated in over 120 systems in more than 60 countries with a global market share of more than 40 per cent.

In Korea, Lotto is sold at some 9,500 locations from lottery shops to street vendors and bookstores and 1,000 Kookmin Bank branches. The bid for the Online Super Lotto project was launched in 2002 and KLS won the tender.

Lottery sales in South Korea are on the increase and jumped 12 per cent during the first quarter of 2009 despite a predicted slump.

The Ministry of Strategy and Finance reported that lottery sales amounted to KRW643.5bn (US\$481m) during the first



quarter of 2009, compared to KRW575.4bn the same quarter the previous year.

Lotto Lottery is the most popular which saw a 12.8 per cent increase while paper and internet based lottery sales declined by 6.4 per cent and 5.6 per cent respectively.

Meanwhile Toto is a sports lottery which is regulated by the National Sports Promotion Act and supporting the Seoul Olympic Sports Promotion Foundation.

The foundation was set up in 1989 and since then has invested some KRW2.2trillion in promoting and supporting elite sports, recreational sports and school sports in Korea.

Sports betting began to support the 2002 FIFA World Cup Korea/Japan and to raise funds for the construction of football stadiums across six cities at a cost of US\$210.3m.

Toto/Proto is a sport leisure betting game and was introduced in South Korea in 2002 to raise finances for the sports industry.

In Korea, Lotto is sold at some 9,500 locations from lottery shops to street vendors and bookstores and 1,000 Kookmin Bank branches. The bid for the Online Super Lotto project was launched in 2002 and KLS won the tender.

It is operated under consignment to Sports Toto Co Ltd and covers six sports football, basketball, volleyball, baseball, golf and Korean wrestling, Ssirum.

Toto can be purchased in some 6,700 retailers and via the internet (betman.co.kr). The maximum stake per person is limited to KRW100,000 (US\$100) and restricted to over 20 year olds and maximum payout is KRW100m (US\$100,000). Proto is fixed odds betting on the same sports. The sports betting sector is worth sales of around US\$1.5bn.

Horse racing is permitted under the Korean Horse Affairs Association Act and has an almost 50 per cent share of the gaming revenue share.

There are three horse racing tracks in Korea - Seoul (since 1989), Jeju Island (since 1990) and Busan (2005) - and the history of horseracing in Korea dates back to 1898 with regular betting beginning in 1922.

Meanwhile online games have become a significant part of South Korean culture over recent years.

StarCraft, the PC real time strategy game is the most popular televised game whilst game tournaments are often broadcast live on TV stations.

Samsung and LG are the second and third largest mobile phone companies in the world and South Korean consumers change their phone on average every 11 months.

Some 90 per cent of Koreans own mobile phones and also use them for watching Digital Multimedia Broadcasting or viewing websites.

CASINOS IN SOUTH KOREA SEOUL

As the capital city, Seoul is also the heart of the political, economic and cultural arena and is a modern and chic city on the Han River.

PARADISE WALKER HILL CASINO is located in the Sheraton Walker Hill Hotel in Seoul and was opened in 1968 as a foreigner-only Las Vegas style casino. There are some 81 table games and 160 slot and video machines. The hotel was opened in 1963 and offers 589 rooms and 14 restaurants whilst the W Hotel offers 253 rooms. Paradise Hotels is a Korean brand with four hotel/casinos in Korea and one in Nairobi, Kenya.

7LUCK CASINO SEOUL GANGNAM is run by a public enterprise and is a Korean style casino with oriental atmosphere complete with 51 table games and 110 slots in a 2,834sq.m gaming area. The casino opened in January 2006 and is a standalone site but situated near four and five star hotels and other amenities. Operated by Grand Korea Leisure Co. Ltd

7LUCK CASINO MILLENNIUM SEOUL HILTON is equipped with 142 slots and 59 tables in 2,694 sq.m of gaming area. The casino is located at the Millennium Seoul Hilton hotel and was opened in May 2006. Operated by Grand Korea Leisure

INCHEON

Home to the international airport, Incheon is also a modern port city. The airport is currently being developed to meet aviation demand.

GOLDEN GATE CASINO

was previously called Paradise Casino Incheon when it was opened in 1969 and was renamed when it moved to the Hotel Hyatt Regency near to the airport in 2005. The casino has a modern interior and offers 50 slots and numerous table games. It is operated by Paradise Group.

KANGWONDO

This province in the east of the peninsula



is divided into mountainous regions and is a popular ski resort. The community was once a huge mining town that was devastated when coal was replaced by gas.

KANGWONLAND CASINO is located at the foot of Mount Hambaeksan and on an area of more than an acre it is the largest casino resort in South Korea. The area was once a mining village and today is a popular ski resort which also houses a golf course, amusement park and indoor water park with a new hotel and convention centre being built and due to be completed by 2010. The casino opened in October 2000 and in the casino there are 960 slots and 132 table games whilst the hotel offers 477 guest rooms. It is the only casino in South Korea to offer gaming to domestic players

KANGWONLAND CASINO is located at the foot of Mount Hambaeksan and on an area of more than an acre it is the largest casino resort in South Korea.

SORAK PARK HOTEL CASINO is located at the foot of the Mount Sorak National Park which is renowned for its scenery. It is equipped with a Las Vegas style casino.

KYONGJU

This 1,500 year old city was once the capital of Shinra and today is an historic city popular with foreign tourists and offering natural landscapes.

BENISTAR CASINO is located in Gyeongju offering a view of Bomun lake and the city. Situated in the Hilton Gyeongju the area also offers six golf courses and a shooting range nearby.

BUSAN

Busan is the eastern gate to the Euro-Asian continent and is South Korea's second largest city and largest harbour city in Korea.

7LUCK CASINO BUSAN LOTTE is located at the Busan Lotte Hotel and offers a casino with a European theme equipped with in 2,185sq.m of gaming space. The casino which opened in June 2006 is surrounded by all sorts of entertainment in the city Sumyun. It is operated by Grand Korea Leisure.

PARADISE CASINO BUSAN is just 50 minutes drive from Kimhae airport in Busan and the casino offers 70 slots plus 35 gaming tables. It is operated by Paradise Group.

JEJU

The Island of Jeju has been called a Shangri-la and legend has it that the Chinese sent emissaries here to obtain a herb for eternal youth. It is the biggest of all South Korea's islands with the Halla mountain in the centre.

PARADISE GRAND CASINO is just five minutes from the international airport at the Grand Jeju Hotel. The Las Vegas style casino offers 50 slots and 31 tables. It is operated by the Paradise Group.

RAMADA PLAZA CASINO is close to the airport and harbour and located in the Ramada Plaza Hotel which is modelled on a deluxe cruise ship and was the first coastal resort hotel to open in Korea. The hotel has 380 rooms.

JEJU ORIENTAL CASINO is located in the hotel of the same name which was opened in 1988. The hotel is located in the Tap-dong seaside area and is a nine storey building with a two storey basement. There are 313 guest rooms and banquet rooms whilst nearby is an amusement park and seaside art centre.

LVEGAS CASINO is located on the second floor of the 10 storey Crowne Plaza Hotel and is managed by the US company, Gillmann Group. The five star hotel opened in 2008 and is five minutes from the airport and also features a fitness club, business centre, night club and restaurants. The casino is the biggest earner of Jeju's eight casinos and the fifth biggest earner of the 17. The casino has 29 tables, 48 slots and three VIP rooms.

TROPICANA CASINO has a modern triangular architecture whilst the hotel has unique design features.

SHILLA HOTEL CASINO on the Pacific Ocean was opened in 1990 and the complex includes a golf course.

LOTTE CASINO is a Las Vegas style casino with 38 table games and 50 slots. It is the only casino connected to a Duty Free Shop in Jeju. The Hotel is designed on the Palace of the Lost City resort and



consists of exotic gardens and tropical pools.

HYATT CASINO is located in the Hyatt Regency at the seaside cliff resort on the southern edge of the island. The hotel has glass ceilings and an indoor waterfall and is located in the heart of the Jungmun Tourist complex.

HISTORY

Korea began with the founding of Gojoseon in 2333BC by Dangun which at the time expanded until it controlled much of the northern Korean peninsula.

After numerous wars with the Chinese Han Dynasty the Gojoseon disintegrated which led to the Three Kingdoms of Korea period and later the North South period.

The Mongols invaded in the 13th century

Centuries of peace was shattered in the 16th century when Joseon was invaded by the newly unified Japan which led to the destruction of much of the Korean peninsula even though Japan retreated in 1598.

however Goryeo continued to rule Korea until it was replaced by the Joseon dynasty in 1388 changing Korea's name to Joseon and moving the capital to Seoul.

Centuries of peace was shattered in the 16th century when Joseon was invaded by the newly unified Japan which led to the destruction of much of the Korean peninsula even though Japan retreated in 1598.

After World War II the Soviet Union and US troops controlled both the northern and southern halves of the country respectively.

Despite the initial plan for a unified Korea antagonism led to the establishment of two separate governments leading Korea's division into two political entities.

In 1950 North Korea invaded the south leading to the Korean War. Soviet Union and China backed the northern Koreans and after a huge advance the war eventually reached a stalemate.

The 1953 armistice was never signed by South Korea and the country split itself along the demilitarised zone, in effect leaving the two countries still at war. Some 2.5 million died during the war.

In 1960 an uprising led to the resignation of President Syngman Rhee and political instability followed broken by General Park Chung-Hee's military coup. He took over as president until his assassination in 1979. This time saw a rapid export led economic growth under a severe political repression.

Political turmoil followed and in 1980 another coup took place by General Chun

Doo-Hwan against the transitional government. Chun assumed presidency and his seizure of power triggered nationwide protests and unrest, now known as the Gwangju Massacre

In 1987 a student who was tortured to death hit the headlines and the huge demonstrations took place. Eventually the Democratic Justice Party announced the declaration and Roh Tae-Woo went on to win the election.

Meanwhile, in 1988 Seoul hosted the 1988 summer Olympics but was later hit by the Asian Financial Crisis though has been able to recover and continue with economic growth.

Today, South Korea remains in diplomatic relations with some 170 countries and has been a member of the United Nations since 1991.

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SOUTH KOREA: VITAL STATISTICS

Capital: Seoul
Population: 48,508,972
Land Area: 98,480 sq.km
Median age: 37.3 years
Languages: Korean. English is taught in schools
Currency: South Korean Won
Government: Republic
Chief of State: President Myung-bak Lee
Head of Government: Prime Minister Seung-soo Han
Cabinet: State council appointed by the president on the prime minister's recommendation

Casinos: 17
Casino Operators: 10 **Casino Slots:** 2,000
Gaming Tables: 1,300
Gaming Revenue: US\$1.5bn

The gateway to eastern promise

Driving tourism is a key priority of the Taiwanese government, with casinos top of the agenda - if the public can be convinced first

Taiwan, also known as Formosa (from the Portuguese word meaning beautiful) is an island just off the south east coast of main land China.

It is separated from main land China by the 180 kilometre wide Taiwan Strait whilst the main island of Taiwan is 394 km long and 144km wide. Other islands in the group include the Pescadores (Penghu), Green Island and Orchid Island.

Taiwan is divided into 18 counties, five municipalities and two special municipalities (Kaohsiung and Taipei)

Taiwan is made up of around two thirds eastern area which is mainly rugged mountains running from the north to the southern tip and the lesser area in the west which is mainly flat gentle rolling plains which is also home to the majority of the population.

The highest point is Yu Shan at 3,952m although there are five other peaks at over 3,500 metres making it the world's fourth highest island.

Intensive exploitation in the past has almost exhausted the islands mineral resources such as coal, gold and marble and its forestry resources, especially firs, which were harvested extensively during Japanese rule.

One of the main aims currently is to promote tourism. Taiwan has been losing ground in recent years in the global tourism market and dropped from 30th place to 52nd place in 2008.

Today there are few natural resources of economic value except perhaps rice and fisheries, which maintain some importance and the country now relies on speciality fruits such as banana, guava, lychee and tea.

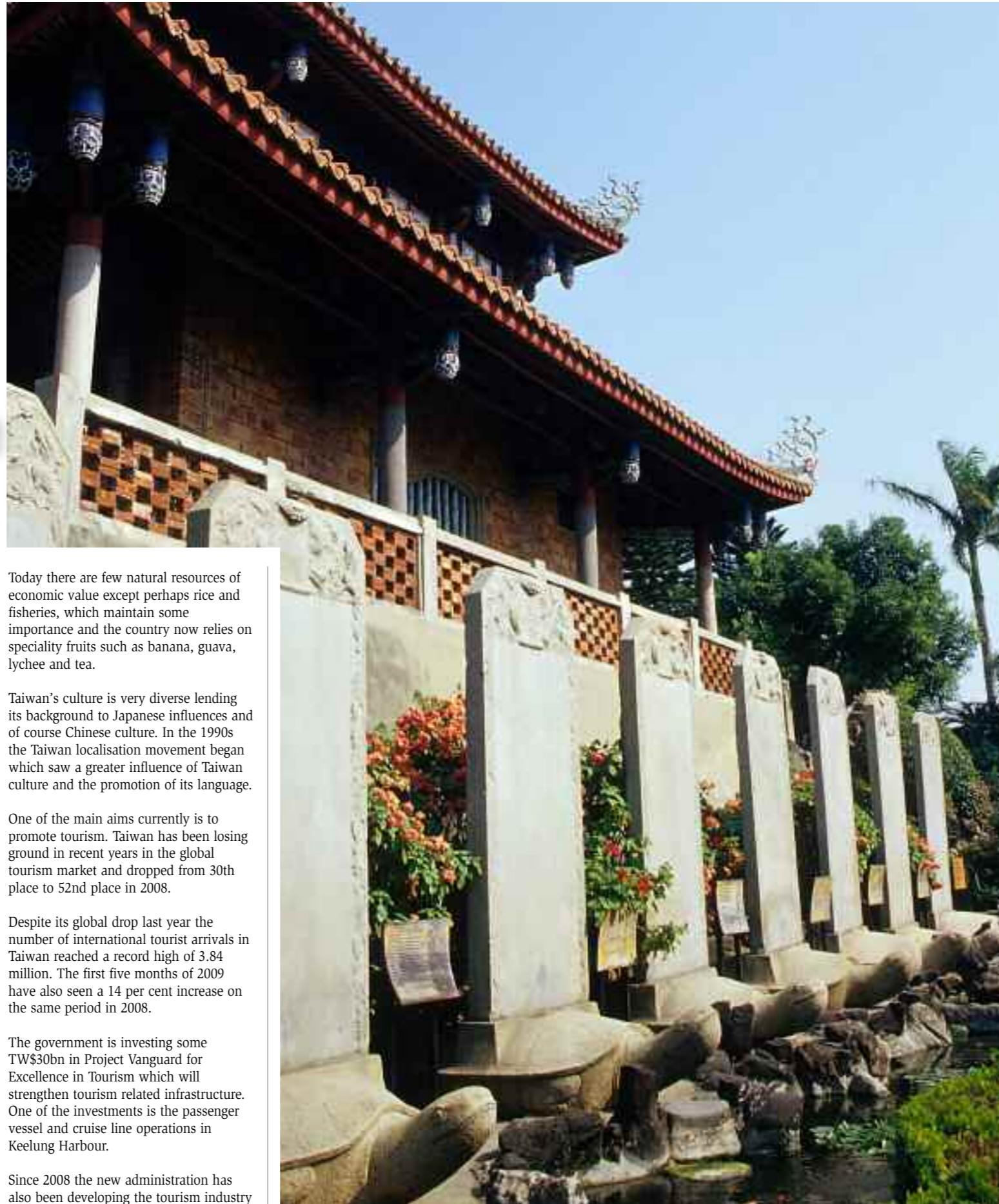
Taiwan's culture is very diverse lending its background to Japanese influences and of course Chinese culture. In the 1990s the Taiwan localisation movement began which saw a greater influence of Taiwan culture and the promotion of its language.

One of the main aims currently is to promote tourism. Taiwan has been losing ground in recent years in the global tourism market and dropped from 30th place to 52nd place in 2008.

Despite its global drop last year the number of international tourist arrivals in Taiwan reached a record high of 3.84 million. The first five months of 2009 have also seen a 14 per cent increase on the same period in 2008.

The government is investing some TW\$30bn in Project Vanguard for Excellence in Tourism which will strengthen tourism related infrastructure. One of the investments is the passenger vessel and cruise line operations in Keelung Harbour.

Since 2008 the new administration has also been developing the tourism industry



and liberalising regulations to allow main land Chinese tourists to visit Taiwan.

Keelung Harbour accounted for 70 per cent of international tourist traffic either entering or leaving Taiwan in 2008. It is estimated that the number of passengers in Asia travelling via cruise ships will increase from 1.07 million in 2005 to 1.54 million in 2010.

The plan to develop the harbour means it will also be able to serve international cruise liners and cross strait passenger ferries that move between Taiwan's offshore islands.

Meanwhile Taiwan's rapid growth after World War II became known as the Taiwan Miracle and it has transformed it into an advanced economy and one of the Four Asian Tigers alongside Singapore, South Korea and Hong Kong.

The Japanese rule brought changes in the public and private sectors and enabled rapid communications and facilitated transport throughout much of the island. The Japanese also improved public education.

When the KMT government left China for Taiwan it also brought its entire gold reserve and foreign currency reserve which stabilised prices and reduced hyperinflation. The KMT also brought intellectual and business elites from China.

Today Taiwan is a dynamic capitalist export driven country although is decreasing its state involvement and some government owned banks and industrial firms are now being privatised.

Its technology industry plays a key role in the global economy and the traditional labour intensive industries are being moved offshore to countries with low cost labour and technology intensive industries are now replacing them.

Taiwan has become a major foreign investor in main land China, Thailand, Indonesia, Philippines, Malaysia and Vietnam and Taiwan's economy has become increasingly linked with China.

These links are expected to be further developed and statistics indicate that Taiwan firms invested around US\$75.6bn in China in 2008. It is estimated that some 70,000 Taiwanese businesses and one million business people and their dependents are now established in China.

The Taiwanese economy is dominated by small and medium businesses rather than large groups and as such the country suffered little during the Asian Financial Crisis of 1997. The downturn did however push Taiwan into recession in 2001.

The first quarter of 2009 saw Taiwan's GDP contract by 10.24% whilst real exports of goods and services plummeted by 27 per cent.

Unemployment rate is around 5.76 per cent and a shrinking income rate has hurt private consumption growth whilst many investment plans are on hold and the housing market has just dropped. Taiwan's basic wage is around TW\$17,280 per month and TW\$95 per hour.

NEW GAMING LAW

The idea of casinos in Taiwan has been discussed for the last 10 years and it



seems that finally things are moving ahead and the country could see casino resorts operational by 2013.

Talks began as far back as the early 1990s and began to develop more significantly when Chen lifted the ban in 2007 on Chinese tourists travelling to Penghu.

Taiwan has been accepting a limited number of Chinese tourists since 2002 providing they come via Southeast Asia and other countries. But it wasn't until 2008 that for the first time since the end of China's civil war in 1949 that Beijing agreed to direct flights between the main land and Taiwan.

At the moment the number of Chinese tourists arriving in Taiwan is around

2,800 people per day falling short of Tourism Bureau estimates.

Meanwhile the current cross-strait agreements require Chinese tourists to travel in a group of at least five for their entire trip. However there have been calls to relax regulations as the number of arrivals has dropped to less than 1,000 people per day from a peak of around 3,000.

In September 2008 the government reviewed its policy and issued landing visas for Chinese visiting Kinmen and Matsu islands, permitting only those not part of the People's Liberation army, the Chinese Communist Party or the Chinese government.

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to Taiwan.

It is now believed that the landing visa will soon be extended to Chinese visitors travelling to Penghu however The Ministry of Interiors Main land Affairs Council and National Immigration Agency must first come up with measures to address security concerns. There are now also calls to permit individual tourists to travel to all three islands.

Until very recently casinos were illegal in Taiwan and the government has always been wary of it becoming economically dependent on China and has been cautious about the plan.

However Taiwanese casinos could bring in more than US\$3bn worth in revenue

according to estimations. The Taiwanese are the second biggest national group travelling and gambling in Macau and making up five per cent of its visitors.

The idea to develop the Taiwanese islands has been discussed since 1999 when the Offshore Islands Act was passed to help stimulate economic growth and develop infrastructure on the islands.

In January 2009 the Taiwanese parliament passed an amendment to this act and issued the Isolated Islands Construction Act which voted to legalise gambling on offshore islands in a bid to boost tourism and speed economic development.

The islands of Penghu, Kinmen and Matsu were the only real serious

contenders due to their location and size however Penghu is now the island in the spotlight and is enabling the economically depressed Penghu archipelago to develop two casino resorts

Developers who win a licence would then have to build a hotel with at least 1,000 rooms whilst there will also be projects for exhibition and convention centres, shopping malls and other tourist related facilities.

This integrated resort approach is currently the model under consideration by the authorities although the final scale and scope of the projects are yet to be finalised.

There is a lot of interest now in Taiwan and the sudden development of the law. Although many operators are still waiting until the referendum has passed apparently 22 companies have indicated their interest including MGM, Harrahs and Stanley Ho.

It is said that a third casino licence would not be issued for the following 10 years (after the second licence) to avoid competition and reduce possible social impacts.

Although there have been protests from religious groups and opposition legislators it is thought the development could see Taiwan become an offshore island resort

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similar to those in Hawaii or Bahamas for example rather than an urban gaming development like Macau.

Penghu, also known as Pescadores (from the Portuguese word fisherman) is a set of some 90 small islands and islets in the Taiwan Straits some 24 nautical miles off the west coast of Taiwan and 75 nautical miles from Fujian Province.

Described by some travel writers as 'pearls scattered in the sea by fairies' the islands are impressively beautiful with sapphire oceans and stunning views.

Apart from Flower Island the archipelago consists of volcanic islands of basalt magma whilst erosion over the years has shaped the islands into unique geological landscapes of basalt cliffs.

Only 19 islands are actually inhabited and between them all they cover a total area of 127 sq.km and the whole archipelago forms Penghu County which is then divided into one city (Magong) and five townships.

The inhabited islands have a population of almost 93,500 and the bulk of the islet's income is generated by tourism and the fishing industry. The largest island is Magong/Husi Island followed by Siyu and Baisha which is the main region for agriculture.



The three main islands are connected by bridges forming a horse shoe effect whilst also creating an inland sea area suitable for water sports whilst coral reefs and clear water makes ideal diving locations.

Following the development of the Penghu Scenic Area, tourism has grown rapidly and all sectors of industry have seen a growth spurt.

Transportation from Taiwan to Penghu is convenient although it relies of course on air or sea transportations. Air travel is under an hour and the Penghu International Airport now accepts flights from 21 destinations in main land China. In addition Penghu is now planning to extend its runway to be able to accept the

Penghu island is a strategic defence point for Taiwan causing some government officials to worry about Chinese flowing into the islands.

bigger Boeing 747 and 777 aeroplanes.

In addition the Tai Hua Shipping ferries depart from Kaohsiung Harbour to Magong Harbour (76 sea miles) which takes around four hours with return tickets costing TW\$1,000-TW\$2,000 depending on cabins. If developments go ahead it is thought operators will bring in faster ferries which will see journey time of around an hour.

The island is a strategic defence point for Taiwan causing some government officials to worry about Chinese flowing into the islands.

Tourists in Taiwan have levelled off over the years and some believe that opening a



casino will attract Chinese tourists and revitalise the island's economy whilst keeping some of the younger locals on the island rather than moving to the main land for stable work.

Central government has now set up a steering committee (Preparatory Commission) to convene the various agencies and set up the regulations. The licences issued will be a centralised process rather than from Penghu local government.

At the moment the situation has just completed stage one. In April this year the Penghu County Government applied for a referendum which was held on September 26.

Only 42 per cent of the island population voted and 56 per cent voted no to the proposal which proved a total surprise to the county's chamber of commerce which favoured a positive vote due to the strong backing of local political and business parties.

An anti-gaming group, which was formed just one month before the referendum, has been warning islanders of the adverse

effects of a gaming industry and may have swayed public voting.

In addition the government had not clearly communicated its regulatory framework for the industry and it is thought many voters were not entirely sure about what they were actually voting against.

A majority of more than 50 per cent in favour is required in the referendum although no majority turnout is required. Apparently a referendum back in 2003 showed that 57 per cent of Penghu residents were in favour of a casino plan even though only 21 per cent of the population actually voted.

Central government issued a statement saying they will continue with plans to establish gaming in Taiwan and will continue to complete the regulations and appoint an advisory consultant in November. It is thought a new referendum can be held if the question in rephrased.

The Gaming Operations Regulatory Act is expected to be established by the end of this year and then it can be submitted to

the Legislative Yuan to come into legal force as an act of parliament.

During stage two the government will issue gaming licences with the precondition for obtaining a licence being that investors will develop tourist resorts to anchor the casino. The government will also then stipulate how big the gaming operating areas will be and the maximum number of games and tables permitted.

Licences are expected to be awarded by mid 2010 and resorts could in all reality be operational by 2013, assuming all goes to plan.

In July the Gaming Regulatory Framework proposals were introduced which set up a gaming commission under Executive Yuan which is expected to combine two to three senior officials from the Ministries of Finance, Economic Affairs, Interior and Justice to form the Gaming Control Board.

At the moment the suggested gambling tax is 10 per cent tax plus a five per cent special allowable operational tax, together with a US\$1bn minimum investment for

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developers although some believe this could turn investors away in the current climate and this may be amended. Another requirement in the draft recommendations state that a resort must be a minimum size of 10 hectares and the resort should be based upon a 'Singapore' style integrated model and attract 'first tier' international casino investors.

Meanwhile, in August the government released a tender for an international gaming consultant to provide guidance, reports and feasibility studies on developing the legislative efforts.

The consultants will be required to conduct a SWOT analysis for development, recommend a strategy to differentiate Taiwan from neighbouring countries, propose concepts and size of investment and facilities, assess the roles of government agencies, assist in review of IR applications and assist in the set up of criteria for the final IR selection. The tender is due to be closed on September 21.

THE DEVELOPERS

British developer AMZ Holdings Plc is a leading contender as either a developer for a Penghu project or a key partner in a consortium scheme.

AMZ has spent the last eight years purchasing almost 27 hectares (10.7 hectares) of land in Penghu from a total of 287 vendors.

AMZ Holdings Plc is a property development group which was registered in the Isle of Man in 2001.

The company via its wholly owned subsidiaries Amazing Limited and Amazing Taiwan Co. Ltd recently completed the purchase of 26.6 acres of barren land in the Penghu Islands with the aim of building a casino resort. The real estate purchase is being transacted via the company's Taiwanese subsidiary and cost them £6.5m. AMZ is headed by Directors David Mathewson, Larry Woolf, Tiffany Chang and Michael Treanor

The background to the development actually dates back to June 2000 when the company's Taiwanese subsidiary signed a comprehensive land purchase agreement with the option to buy the 27 acre piece of land at the end of the Fongkue peninsula with a 250 ft beach frontage.

The land was actually 102 plots, some of it ancestral land belonging to the village, which had been used as family burial sites for many years. The company therefore had to help set up a mausoleum on the island to relocate the graves.

The purchase was conditional upon the land being rezoned for commercial use. Fongkue Beach is located on the southeast coast of Magong Island facing the sea to the west.

The site is about 15 minutes from the airport and 20 minutes from the ferry terminal and although AMZ has all the necessary building permits, resort plans and zoning in place for a five star resort the company has been waiting for the gaming act.

It is expected AMZ will team up with a major casino operating group and develop the resort according to the new requirements as this allows a faster to market route given their approvals.

As Carl Burger, AMZ's Executive Vice President said: "Whilst we have gaming management operational expertise we realise that Taiwan will award the licences to major brand names and will partner with one of them in due course.

"We are also seeing significant developer interest with associated land price rises as private land is not freely available on the island for supporting projects such as other hotels and condos etc.

"With a local market of 23 million, the numbers do stack up to support a resort and with the added relaxation on main land Chinese tourists who see Taiwan/Penghu as the new destination it bodes well for the operations. It will not be a Macau and with the current economic crisis we expect most operators will scale their development accordingly."

AMZ originally teamed up with Navegante for the hotel and casino business. Navegante was founded in 1995 by Larry Woolf after he retired from his position as Chairman, President and CEO of MGM Grand in Las Vegas before deciding to re-enter the workforce by setting up a development and consulting company, Navegante.

Currently, Navegante's management portfolio includes 2,500 hotel rooms, 75 table games and 2,500 slots with locations in Las Vegas and they set up the famous Casino Niagara in Canada.

Of course there will no doubt be several bidders for the casino operation when the licence is permitted and although is not inevitable that the licence will be granted to AMZ or in fact the land now owned by AMZ will be chosen for the resort site AMZ does have one distinct advantage – in that it owns over 10 hectares of prime real estate land.

One of the problems is that with the



minimum 10 hectare land stipulation there is little land of that scale still available on Penghu.

There were rumours recently that other contenders included Penghu county government which has plans for two 40 to 60 hectare sites.

It seems this is down to a rushed decision in 2008 when the local government realised that with no land available as an alternative to the AMZ development, politically they need to present a neutral stance.

At the same time the Taiwan government announced a stimulus package to fund 10 projects in various counties with submissions from each. Penghu quickly identified two sites and presented a grandiose resort scheme with no real planning or research.

One of the sites is a harbour area which

Gaming arcades can be found all over Taiwan and many of them can be found to be operating baccarat machines and sic bo machines and use a similar business model as Japan's pachinko parlour paying out cash to players rather than gifts.

would require extension reclamation work and is not really seen as viable. The other site would require lengthy zoning and environmental approvals which could take some time.

Michael Treanor CEO of AMZ say: "After years of complicated land assembly, zoning and resort design we are delighted that the AMZ property is positioned to take advantage of the anticipated increase in tourism activity now that Penghu is seeking to embrace the new gaming legislation.

"Taiwan will be the new destination for Asian gaming tourism development and with interest from major international operators in Penghu already since the bill was passed, the company looks forward to maximising the value of the property for the benefit of our shareholders."

The casinos on Penghu could bring in some half a million tourists to the island

and generate around US\$3bn worth of revenues in gambling and tourism.

OTHER GAMING

While the casino dilemma continues, Taiwan still has around 2,500 slot arcades and pachinko parlours which serves the market to some degree.

The arcades exist as a de facto casino market which goes under the name of the arcade market and come in all shapes and sizes.

Gaming arcades can be found all over Taiwan and many of them can be found to be operating baccarat machines and sic bo machines and use a similar business model as Japan's pachinko parlour paying out cash to players rather than gifts.

Some popular games being developed now include the Robot Baccarat which has a robot arm to deal the cards.

The market supply is pretty much dominated by local manufacturers. The Taiwanese market has often frightened overseas suppliers mainly because of its illegality and competition from locally cheaper suppliers.

The arcade market has seen its own up and downs. Back in 1983 the Taiwanese government issued a nationwide ban on video game arcades claiming the games were promoting juvenile delinquency.

This followed a partial ban a year previously when the government closed down around 10,000 unlicensed arcades whilst permitting another 600 licensed arcades to continue operations.

The total ban included the manufacture, sale and operation of games and saw thousands of machines destroyed and operators go out of business.

Despite the ban arcades were still of

The arcade market has seen its own up and downs. Back in 1983 the Taiwanese government issued a nationwide ban on video game arcades claiming the games were promoting juvenile delinquency.

course operated illegally and then in 1988 the ban was lifted and the government legalised them again.

Meanwhile Taiwan has had a chequered lottery history which dates back to the early 1950s when Taiwan's first attempt at a lottery was the Liberty Lottery set up in 1950 to raise funds for provincial reconstruction projects.

The lottery however was stirring up illegal lotteries as players used winning numbers in the Liberty Lottery on the underground lotteries, which were becoming so big and influential that the lottery was later shut down in 1987 in a bid to wipe out the illegal side. However the illicit lottery simply switched to using numbers from a Hong Kong lottery.

Liberty was later followed by some other municipal lottery attempts which were also closed down by central government who did not want the control of money falling into the local authority hands.

The National Welfare Lottery was revived via the Bank of Taiwan after the earthquake in 1999 and helped rebuild central Taiwan. However, when the prize ratio was cut players lost interest and ticket sales dropped.

In 2002 it returned as the Public Interest Lotteries again run by the bank with computerised lotto issued twice a week and an instant payoff version 20 times a year.

Although tickets sales were given to disadvantaged groups such as low income families, disabled and aborigines, the wages were very low and in addition only less than a quarter of the income went to welfare programmes.

The current version of the lottery is now in the hands of The Taiwan Lottery Company which was established in July 2006 and is one of the subsidiary companies of Chinatrust Financial Holding Co Ltd's Taipei Fubon Bank.

Chinatrust won the bid by guaranteeing it would deliver a surplus of TW\$64.24m each year. A major boost was the launch of the Super Lotto II, plus other games such as bingo and scratch and win, which help improve sales.

The TLC offers public welfare lottery and in May 2009 saw profits of TW\$1.555bn bringing its total earning to TW\$44.454bn since its inception.

Funds are allocated to governments of municipal cities, local counties and cities to finance social welfare and charity activities.

Meanwhile sports betting was legalised last year when Fubon Bank also won the bid to become the first ever issuer of sports lottery tickets in April 2008.

It is estimated that the sports betting sector could be worth up to US\$910m a year and will cover sports such as US and Taiwan baseball, US professional basketball, horse and car racing. The bank is now planning to deploy phone and online lottery betting systems

Meanwhile the online games market in Taiwan is thought to be worth around US\$300m. There is a high 67 per cent internet usage in the country and a low cost to play online games.

Multiplayer online role playing games represent the largest segment of the online industry whilst free to play games introduced in 2004 have also revitalised the market.

HISTORY

Evidence of human settlement in Taiwan dates back some 30,000 years although it was some 4,000 years ago that the ancestors of the current Taiwanese aborigines settled on the island.

Han Chinese began to settle in the Penghu islands in the 1200s and it is thought this tribe might have known about the existence of the Taiwan islands since the third century.

In 1544 a Portuguese ship spotted the island and called it Ilha Formosa (Beautiful Island) and in 1624 the Dutch established a commercial base on Taiwan and imported workers from Fujian and Penghu as labourers.

Then in 1626 the Spanish landed and occupied the Northern Taiwan area as a base to extend its commercial trading which lasted 16 years.

Troops from southern Fujian defeated the Dutch in 1662 and the Dutch government and military were expelled from the island by the Koxinga.

In 1683 following the defeat of Koxinga's grandson by an armada from southern Fujian, the Great Qing annexed Taiwan and placed it under the jurisdiction of Fujian province.

After Northern Taiwan and Penghu became involved in the Keelung campaign in the Sino-French War in 1884 the Qing upgraded Taiwan's status to a full province of Fujian with its capital at Taipei.

TAIWAN: VITAL STATISTICS

Capital: Taipei
Population: 22,974,347
Land Area: 35,980 sq.km
Median age: 36.5 years
Languages: Mandarin Chinese (official), Taiwanese, Hakka dialects
Currency: New Taiwan Dollar
Religions: Mixture of Buddhist and Taoist (93%), Christian (4.5%), other (2.5%)
Government: Multiparty democracy
Chief of State: President MA Ying-Jeou
Head of Government: Premier LIU Chao-shiuan
Cabinet: Executive Yuan – ministers appointed by president on recommendation of premier.

No. Casinos: 0 (plans for 2 resort casinos)
Casino Operators: 0
Gaming Arcades: 2,500
Casino Slots: 0
Casino Tables: 0
Gaming Revenue: US\$3bn (estimated once legalised)

Imperial Japan had sought to control Taiwan since 1592 and after an incident in 1871 when Taiwan aborigines beheaded some 54 sailors who were shipwrecked on the island the Japanese claimed compensation.

After refusal in 1874 the Japanese sent a force of 3,000 troops to the island and in 1895 Japan later took control of Taiwan and Penghu.

The Japanese were instrumental in the industrialisation of the island and extended railroads and transportation networks and built sanitation systems. Rice and sugarcane production increased.

However during its rule Japan launched over 160 battles to destroy aboriginal tribes and the Japanese tried to bind the island more firmly to the Japanese.

After World War II however Taiwan was reverted to Chinese control and Japan's rule of Taiwan ended even though its 51 year rule had long lasting effects on its people and culture.

After communists victory on main land China some two million Chinese fled to Taiwan and established a government there and they gradually democratised and incorporated the local population within the governing structure.



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Multiple storeys multiple endings

Interest has begun to peak in the Vietnamese gaming market, with international operators to open substantial projects in the near future

Historically, Vietnam is an agricultural civilisation based on wet rice cultivation. Today it has one of South East Asia's fastest growing economies with its sights set on becoming a developed nation by 2020.

In 1976 the country emerged as a unified country after the communist north seized the south. The country had to recover from the effects of war and was ravaged and politically isolated.

After the war the collectivisation of farms and factories was introduced, which saw years of corruption, inefficiency and poor quality in its industry.

The government's plans hindered post war reconstruction until 1986 when it introduced economic and political reforms and began a path towards international reintegration.

The new policies saw private ownership being encouraged and Vietnam achieved around eight per cent annual GDP growth from 1990 to 1997. Foreign investment grew and domestic savings increased.

In addition manufacturing, information technology and high tech industries now form a large part of the national economy growth, and although a newcomer, the country is also the third largest oil producer in South East Asia.

Vietnam is the largest producer of cashew nuts and second largest rice exporter (after Thailand) with the highest per cent of land use for permanent crops. However, Vietnam is still a relatively poor country with deep poverty in some areas.



Today, Vietnam is the largest producer of cashew nuts and second largest rice exporter (after Thailand) with the highest per cent of land use for permanent crops. However Vietnam is still a relatively poor country with deep poverty in some areas.

Vietnam's Socialist Republic is a single party state and a new constitution approved in 1992 now replaces the 1975 version.

The central role of the communist party was re-asserted in all areas of government and politics and only political organisations affiliated with or endorsed by the communist party, are permitted to

contest elections.

Although the state is officially committed to socialism the ideology has diminished somewhat since the 1990s.

Since 2007 Vietnam has established diplomatic relations with 172 countries and holds membership of 63 international organisations such as the United Nations, WTO and ASEAN plus 650 non-government organisations.

The country is a long thin piece of land which runs 4,639 km along its land boundaries with China, Laos and Cambodia on the west. On the east it

joins the South China Sea, the Gulf of Thailand and the Gulf of Truong.

With a population of over 86 million it is the 13th most populous country in the world. The country consists of hills and densely forested mountains and tropical rainforests.

The northern part of the country consists of highlands the Red River Delta whilst the south is divided into coastal lowlands and extensive forests.

Vietnam is in the Indomalaya ecozone and is one of 25 countries considered to possess a high level of biodiversity and

the government has invested some US\$47.07m in preserving biodiversity with 126 conservation areas and 28 national parks established.

Vietnam is divided into 58 provinces which are then subdivided into provincial municipalities, townships and countries which are then subdivided into towns or communes.

There are also five centrally-controlled municipalities which exist at the same level as provinces. These are then subdivided into districts and countries and then subdivided into wards.

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Vietnam's number of tourist visitors has been steadily increasing over the last 10 years and the country saw 4.2 million arrivals in 2008, a 0.6 per cent increase on 2007 figures.

The country is now investing capital into the coastal regions that are popular for their beach and boat tours.

THE GAMING MARKET

Prior to 2003 all forms of gambling apart from the state-run lottery service, were illegal in Vietnam.

However, since this time the government has permitted some four and five star hotels in the country to open electronic gaming areas to offer gambling for foreign passport holders but not Vietnamese locals.

They are predominantly found in the main cities and with no card games permitted usually offer around 100 slots or so including multi terminal gaming machines.

Illegal operations are also rife and the country is now looking at the possibility of legalising different forms of gambling to bring in more governmental funds and also improve infrastructure for tourism.

It is also a case of 'if you can't beat them, join them' and there has always been calls to legalise small scale gambling in a bid to control it.

Gambling has also been at the top of media attention in recent years with reports of top government officials being involved in fraud and corruption charges particularly within the sports industry. Two football stars were arrested a couple of years ago for allegedly fixing two games at the Southeast Asian Games.

Back in 2006 there were 63 state owned lottery companies which reported an annual growth of 22 per cent and contributed more than US\$312.5m to the state budget. Meanwhile revenues from registered betting and bonus games increased by VND2.8 trillion in 2006.

It seems many provinces are now asking for the government's permission for casinos in a bid to attract tourists and the government has asked the Ministry of Finance and Planning and Investment to draw up some draft documents for consideration.

At the moment it is suggested that around 600 to 700 Vietnamese cross the border into Cambodia each weekend to gamble.



Many companies are eager to invest in Vietnam mainly because of its peripheral areas bordering China and it is these areas which are being developed primarily.

Already there are many development hotel and tourist projects in the pipeline which have all attracted domestic and foreign investment.

The country has so far attracted several

Illegal operations are rife and the country is now looking at the possibility of legalising different forms of gambling to bring in more governmental funds and also improve infrastructure for tourism.

large investors for resort and luxury hotels including a top end hotel in Danang being developed by UK firm KOK and a series of tourism projects by Tin Nghia Co Ltd in the Dong Nai, Binh Thuan and Da Lat regions.

Alongside new developments, cities and provinces have also upgraded their existing locations particularly in the Mekong Delta River provinces.



Vietnam's tourism image has been promoted significantly over recent years with new advertising campaigns and promotions. According to the Municipal Service of Culture, Sports and Tourism, investors have said they will complete an additional 14 luxury hotels in Hanoi by 2010.

Meanwhile the first part of the 450 hectare tourist site in southern Binh Duong province is due to open in September and will be the largest in Vietnam. The construction of the Dai Nam site began 10 years ago and is estimated to cost more than VND3,000bn.

The Saigon Investment Group and US based Starwood Hotels and Resorts Worldwide have launched a project for two tourism projects in central Danang City and the Central Highlands province of Lam Dong.

The projects will cost US\$140m in total and will include the Le Meridien Danang Resort and Spa and will comprise of high end apartments and villas together with a five star hotel. When it is completed the resort will connect Ngu Hanh Son district

with three world cultural heritage sites.

Banyan Tree holdings Ltd (Singapore) is developing an integrated resort in Cu Du Village, some 35 kilometres north of Danang airport. The project Laguna Vietnam is a resort and spa with beach and hill villas, hotels, golf course and residential villas and houses and is costing more than US\$270m.

In addition one of the country largest tourism centres will be built on an 18 hectare site in Dalat City and will include the Sheraton Dalat with up to 200 rooms.

The projects are a first in Vietnam for SGI and are helping to meet domestic needs and increasing demand from foreign tourist who are requiring quality facilities.

The Mekong Delta's Tien Giang and An Giang provinces are now seeking funds for 13 tourism projects including an entertainment area, ecological area.

Meanwhile it seems Accor and Thai Airways are inviting leading western European travel firms to Vietnam to survey several destinations.

CASINO SECTOR

At the moment there are four small casinos located in four and five star hotels in Vietnam which are mainly found along the borders.

The Royal International Gaming Club is housed within the Ha Long Bay resort which consists of villas, hotel and amusement park.

The resort is run by Royal International Corporation of Taiwan and local partner and includes the four star International Royal Hotel and four star Royal villas all next to the Bai Chay Beach on a World Natural Heritage site of Ha Long Bay.

The amusement park is 100 hectares in size and has an antique museum and art gallery plus cultural shows and rides.

Meanwhile the casino is the largest in Vietnam and offers 18 table games from Baccarat, Blackjack and Roulette and 70 slots.

Royal international was the first company to win the right to open its 3,380 sq.m gaming club in 2002 which earned a

The Saigon Investment Group and US based Starwood Hotels and Resorts Worldwide have launched a project for two tourism projects in central Danang City and the Central Highlands province of Lam Dong.

revenue of US\$7m in 2007.

In 2007 the company applied to sell shares to raise funds to construct two more beachfront five star hotel resorts in the resort with Starwood (Sheraton).

The Do Son Resort Hotel in Hai Phong is located in a unique valley and offers a four star 88 room hotel, tennis courts, swimming pool, fitness centre, pool bar and casino.

The resort has 2,450 metres of coastline and is one of the national famous resorts running from the Cam river mouth to Van Uc river mouth.

Initially called the Van Hoa Hotel the Do Son Hotel was renovated to include a casino with 100 stone footstep down to the sea. The casino features 100 slots and 17 table games.

Lao Cai International Hotel is located in the Sapa district and is a four star hotel which was set up in 2002. The hotel is located on the banks of the Red River and Nam Thi River not far from the Chinese border

The Lao Cai International Club is run by Lao Cai International Casino Management Team and a foreign investor. It features an entertainment centre with slots and tables such as baccarat, Pai Gow and Tai Sai.

Li Lai International Hotel is located in the heart of northern border town with China, Mong Cai, and overlooks the Ka Long river and is just 10 minutes from Tra Co beach.

The five star hotel began as an investment project by Hal Ninh of the Li Lai Company, Hong Kong and is a partnership between Li Lai and Mong Cai Trade and Service Company. It was founded in 1993 with a capital of US\$30m.

The original joint venture formed a second joint venture with Profit Come Entertainment Development in 2004 to build a golf course and hotel project.

Meanwhile the big discussion point in Vietnam at the moment is the US\$4.2bn Ho Tram Strip project.

This is a development project between MGM Mirage and Asian Coast Development Ltd (Canada) who have teamed up to develop a 'Las Vegas' style casino resort in Vietnam called Ho Tram Strip.

After three years of negotiations with the government of Vietnam, ACDL received



an Investment Certificate in April last year from the government approved by both the central government and Ba Ria Vung Tau provincial government to develop five large scale luxury resorts and two Las Vegas style gaming centres on a 169 hectare beachfront property.

The property will capitalize on a 2.2 kilometre strip of untouched beach bordering the South China Sea in the Ba Ria Vung Tau province, located some 80 miles from Ho Chi Minh City (formerly known as Saigon).

The province is one of the country's biggest tourism sites with more than 100 kilometres of breathtaking beaches.

ACDL's subsidiary Ho Tram Project Company has entered into an agreement with MGM Mirage who will assist in the development and marketing of the first of the five resorts, MGM Grand Resort and Casino.

The first phase of the resort is due to open in 2012 and will include a five star MGM hotel with 550 luxury guest rooms, restaurants, entertainment, conference centre, retail area, golf course and of course a Las Vegas style casino.

The casino will house a planned 90 table games and 500 slots (increased to 1,000 when the resort is fully completed) with live entertainment, nightlife and VIP facilities.

ACDL's subsidiary Ho Tram Project Company has entered into an agreement with MGM Mirage who will assist in the development and marketing of the first of the five resorts, MGM Grand Resort and Casino.

By 2013 the MGM will have a further 550 guest rooms and 14 VIP villas when the development is fully completed.

ACDL says: "The disproportionate number of people living in Asia for the number of gaming licences in the region leads us to believe there are significant opportunities for continued gaming growth in the region.

"The 16 countries in close proximity to Vietnam comprise almost one third of the world's population, yet have less than three per cent of the world's licenced gaming establishments. Even with the tremendous success of Macau and Malaysia as regional gaming destinations the industry is largely underdeveloped

when compared to North America and Europe."

The Ho Tram Strip is the only licenced Las Vegas style gaming establishment in southern Vietnam to date.

ACDL's CEO David Subotic has said: "Vietnam is within easy access for more than 300 million potential clients, a huge regional market that does not even take into account the global travel market. Considering all these factors and the growing popularity of casino gaming in Asia, it is clear to see that Vietnam is an ideal casino resort location.

"We are obviously not the only ones that feel this way, as our project was selected



from dozens of applications to become the first tourism development in Vietnam to receive an investment certificate that includes a Las Vegas style gaming licence."

On the other hand some suggest the ambitious plans for Vietnam will not be sustainable unless locals are ever permitted to gamble.

LOTTERY AND ONLINE GAMING

In Vietnam the lottery games are operated by the Construction Lottery of the Capital-Hanoi Vietnam (CLCH) and Song Be Lottery Company (SBLC).

CLCH operates Pick2, Pick 3 and instant games and has registered sales of around VND220 trillion. SBLC has tied up with Canadian Pacific Lottery Corporation to operate online lotteries.

The two launched a new televised version of the Hanoi lottery draw which will see the Smartplay drawing equipment select the winning lottery numbers as from July this year.

PLC contracted Smartplay to produce a customised Mercury 10 drawing machine for the launch which will involve a daily 30 minute prime time live TV draw requested by the Vietnamese Lottery authorities.

This is the first time the government has

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David Subotic, ACDL CEO.

granted permission to broadcast the daily lottery drawings live.

Vietnam's lottery revenue was almost US\$1,266m back in 2005 with 89 per cent coming from the southern region. The country has 63 state owned lottery companies offering forms of lottery and betting services

The Vietnamese are passionate for both football and betting and during national and international soccer tournaments it is not unusual for dozens of bettors and bookmakers to be busy.

It is estimated that annual earnings from sports related betting in Vietnam is around US\$2bn which prompted the government some years ago to look at legalising this activity.

At the moment Vietnam has yet to complete a legal framework to oversee the sports betting sector and according to police football betting, illegal lotteries and online gambling games has resulted in the formation of large betting rings nationwide.

The police claimed they found 200 large networks operating in 2006 across 18 provinces which between them saw around VND500m in revenues each day.

In 2006 a draft decree on betting and bonus games was introduced into



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VIETNAM: VITAL STATISTICS
Capital: Hanoi
Population: 86,967,524
Land Area: 329,560 sq.km
Median age: 27.4 years
Languages: Vietnamese (official), English, some French, Chinese and Khmer
Religions: Mixture of Buddhist and Taoist (93%), Christian (4.5%), other (2.5%)
Government: Communist state
Chief of State: President Nguyen Minh Triet (2006)
Head of Government: Prime Minister Nguyen Tan Dung (2006)
Cabinet: Cabinet appointed by president on proposal of prime minister and confirmed by National Assembly

No. Casinos: 4
Casino Operators: 4
Casino Slots: 1,100 approx
Casino Tables: 80 approx



government with the aim of fully legalising the sector looking primarily at dog and horse racing and international football games.

Sports Marketing Service Group (SMS) whose companies operate legalised betting on horse and greyhound races in Ho Chi Minh City and Ba Ria-Vung Tau province was behind the decree.

They suggested that a sports betting company should be set up between foreign investors (30%), SMS (40%) and state funds (30%).

SMS said they were capable of handling bets on 10 sporting events worldwide every day and can also operate betting for football matches and other sports.

In addition to SMS, S-Pool of Singapore has also offered their cooperation in the sector whilst Ladbrokes has also visited officials with a presentation on technical matters.

The Ministry of Finance wants to assign the task of operating and organising sports betting to a 100 per cent invested company in Vietnam.

Meanwhile two new horse racing tracks are being built in the north of the country in Hanoi's Soc Son district and in Duc Hoa district in the Mekong Delta province, whilst the south's existing horse and dog track in Ho Chi Minh City and Ba Ria Vung Tau province respectively, would need to re-work their operations.

The new horse racetrack is said to cost around US\$89.3m whilst the two existing

tracks would be permitted to operate betting services if they found US\$5.95m in legal capital.

However the law would restrict betting to inside the tracks and some outside sales offices built in the cities and provinces where the tracks are located.

The nation's first horse track, the Phu Tho Track in Ho Chi Minh City, opened in 1932 and hosts horse races every weekend and permits public betting.

At one time it was the circuit of casinos and gambling clubs that made the city on the Saigon River a gambling haven. Everything was shut in 1975 when the communists invaded the south and Phu Tho was turned into a sports college.

It was re-opened in 1989 when the government began to look for sources of revenue and today brings in around US\$1m a year. Legal betting offers tickets although private betting rings in the stands exist and have been tolerated.

Traditionally Vietnamese horses are very small weighing no more than 250 kilograms. As such jockeys ideally weigh no more than 38kg and until recent

clampdowns children as young as 10 years old were trained as jockeys.

Vietnam of course has a strict no gambling policy when it comes to online gambling. That's not to say it doesn't exist.

With WiFi technology now increasing in the country players can access gambling sites anytime and almost anywhere. Inside reports say players can merely open an account at a website and pay a deposit which is then collected from their home whilst winnings are distributed in the same way. Only privileged customers can play on credit.

One of the most popular sites for the Vietnamese is operated by Kings Crown Casino in Cambodia located near Vietnam's southern border province of Tay Ninh.

New players need to be introduced and employees in Ho Chi Minh City will come and collect a minimum US\$500 deposit to open an account.

Meanwhile it is estimated that around two million people in Vietnam play online amusement games frequently and

One of the most popular sites for the Vietnamese is operated by Kings Crown Casino in Cambodia located near Vietnam's southern border province of Tay Ninh.

potentially the market is worth around US\$50m growing to around US\$83m by 2010.

The game industry in this country is however still very young and as yet does not have its own game production industry however there are many foreign investors eager to enter the market and it seems games developed in China and South Korea are the most popular with gamers.

HISTORY

The area now known as Vietnam has been inhabited since Paleolithic times whilst archaeologists link the beginning of civilisation to the late Neolithic, Early Bronze Age Phung Nguyen culture from about 2000 to 1400 BC.

The legendary Hong Bang Dynasty of the Hung Kings is considered by many to be the first Vietnamese state known as Van Lang and in 111 BC the Chinese Han Dynasty took over the empire and Vietnam was under Chinese rule for the next thousand years.

In 938 AC a Vietnamese lord defeated Chinese forces and regained independence and the land went through a golden era whilst Buddhism flourished.

The land saw many years of either Chinese rule or Vietnamese rule until 1885 when the country became part of French Indochina. A western style system of education and Christianity was established whilst a plantation economy began promoting the exports of tobacco, indigo, tea and coffee.

The French maintained their control until World War II when the Japanese War in the Pacific triggered the invasion of French Indochina.

In 1941 the Viet Minh, a communist and nationalist liberation movement, emerged to seek independence for Vietnam and an estimated two million Vietnamese died during the famine of 1944-45.

When Japan was defeated in 1945 Viet Minh occupied Hanoi and set up a provisional government and in the same year the French sent its corps to restore French rule. The first Indochina war between Viet Minh and the French forces began and lasted until 1954.

The Geneva Accords separated the former French supporters and communist nationalists between North and South.

The following year South Vietnamese President Ngo Dinh Diem rejected the nationwide elections agreed by France and North Vietnam and the pro-Hanoi



Vietcong began a guerrilla campaign to overthrow the government.

In 1963 the Buddhist crisis began and America's relationship with Diem broke down and resulted in a coup which saw Diem killed.

A series of military regimes followed and communists began to gain ground. To support South Vietnam's struggles against the communists the US began to increase its contribution of military advisers and US forces became involved in combat in 1965.

American troops were finally withdrawn by 1973 and some fighting continued until 1975 when the north sent troops to the south resulting in the Fall of Saigon.

The game industry in Vietnam is still very young and as yet does not have its own game production industry, however, there are many foreign investors eager to enter the market and it seems games developed in China and South Korea are the most popular with gamers.

South Vietnam came under the nominal rule of a Provisional Revolutionary Government whilst in 1976 north and south were merged to form a Socialist Republic of Vietnam.

Under its control the Vietnamese communists embarked on a mass campaign of collectivisation of farms and factories and forced many public servants into re-education camps. Millions fled the country whilst in 1978 Vietnam invaded Cambodia. This action resulted in bad relations with China.

In a historic shift in 1986 the communist party implemented free market reforms known as Doi Moi encouraging private ownership and foreign investment which resulted in rapid growth.



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Apex Gaming www.aristocrattechnologies.com	49	CashCode www.cashcode.com	OBC	Octavian International www.octavianinternational.com	3, 5 & 7
Astra Games www.astra-games.com	37	Elaut www.elaut.com	79	Suzo-Happ www.suzohapp.com	53
Astro Corporation www.astrocorp.com.tw	IBC	Gaming Partners International www.gpi.com	27	TCSJohnHuxley www.tcsjohnhuxley.com	11

